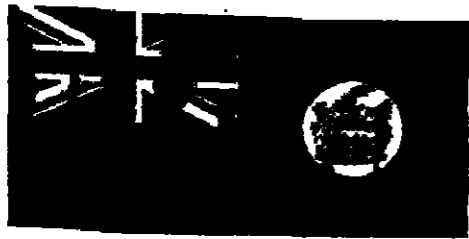


# FINANCIAL TIMES



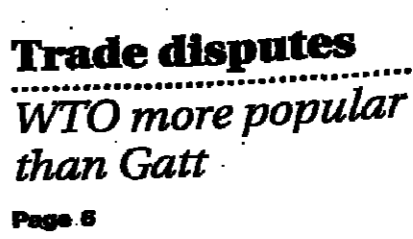
**Hong Kong**  
**Big risks for China too**  
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**Wider role in quality control**  
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**Trade disputes**  
**WTO more popular than Gatt**  
Page 6

World Business Newspaper <http://www.ft.com>

THURSDAY AUGUST 8 1996

## IBM, Mercedes plan advanced car computer

IBM, the world's largest computer group, and Mercedes-Benz of Germany are working together to develop vehicle electronics networks to control engine functions, transmission and other mechanical operations and provide access to the Internet, satellite navigation systems, traffic and other data. Page 12

**China agrees to join nuclear test ban:** The US has reached a deal with Beijing to add China's signature to a treaty outlawing all future nuclear test explosions. Only objections from India are holding up an agreement.

**Scientists doubt proof of Martian life:** The European Space Agency's top Mars scientist warned evidence of life on the planet, uncovered by NASA scientists, should not be taken too seriously. Page 4; Editorial Comment, Page 11

**N Ireland march banned:** The British government moved to head off violence in Northern Ireland after the banning of a planned Londonderry march on Saturday by the protestants Apprentice Boys. Page 8

**Adidas announced a 56.3 per cent rise in pre-tax profits to DM249m (\$167m) for the first half of 1996, a rise of 44 per cent, helped by a strong securities business and a first-time contribution from Kleinwort Benson, the UK investment bank acquired last year. Page 13**

**ValueJet reported a second-quarter loss of \$9.6m after the discount US carrier was grounded in June following a crash in the Florida Everglades in May. Page 15**

**British new car sales up 17%:** Registrations of new cars in Britain jumped by 17 per cent year-on-year in July, boosting hopes of sales over 2m this year for the first time since 1990. Page 8

**Dresdner Bank of Germany announced operating profits of DM1.42bn (\$966m) in the first half of 1996, a rise of 44 per cent, helped by a strong securities business and a first-time contribution from Kleinwort Benson, the UK investment bank acquired last year. Page 13**

**Toyota, Japan's largest carmaker, will invest \$150m in a new production factory in Brazil, despite a continuing row between the two countries over Brazil's car policy. Page 6**

**Cathay Pacific Airways, the Hong Kong-based airline, announced net profits of HK\$1.65bn (US\$214m) for the first six months of the year - a 67 per cent rise over 1995. Page 13**

**Brazil plans banks bail-out:** Brazil unveiled a plan to restructure the country's debt-burdened state banks in a move seen as part of an assault on mounting public sector debt. Page 12

**Fed sees US growth easing:** The US Federal Reserve said the economy kept growing in June and July but there were signs the pace was easing from its hectic second-quarter rate. Page 3

**\$4m bail for ex-Bremer Vulcan chief:** A German court set a DM6m (\$4m) bail for Friedrich Hennemann, the former chairman of bankrupt shipping group Bremer Vulkan AG, who was arrested on June 20 for suspected misuse of funds.

**India announces Kashmir elections:** India said it will hold elections in the troubled Jammu and Kashmir state in September, the first in the Himalayan province for nine years.

**Radish linked to Japan food poisoning**



A Tokyo shopkeeper displays radish sprouts (above) for sale at a local supermarket. Japan's health ministry said radish sprouts might be the source of a food poisoning outbreak that has killed seven people and affected more than 9,000 others. Page 4

**FT.com:** The FT web site provides online news, comment and analysis at <http://www.ft.com>

STOCK MARKET INDICES		IN GOLD	
New York: Dow Jones Ind. Av. 5,882.52 (+2.59)	New York: Gold (Oz) 384.1 (\$34.4)	London: Gold (Oz) 388.2 (\$36.6)	
NASDAQ Composite 1,123.81 (+4.74)			
Europe and Far East			
UK: FTSE 100 2,811.1 (+2.71)			
Germany: DAX 2,477.39 (+2.87.25)			
US BOND YIELD RATES		IN DOLLAR	
Federal Funds 5.5%	New York: Dollar (100) 1.4835	London: Dollar (100) 1.5033	
3-mth Treasury Bill 5.125%	NY: Dollar (100) 1.2115	NY: Dollar (100) 1.0795	
Long Bond 5.0%			
Yield 5.74%			
IN OTHER RATES			
UK: 3-mth Interbank 5.2%	DM: 1.4825	DM: 1.4825	
UK: 10 yr Gilt 5.8%	FF: 1.5028	FF: 1.5028	
France: 10 yr OAT 105.52	SF: 1.2075	SF: 1.2075	
Germany: 10 yr Bund 5.2%	Y: 107.95	Y: 107.95	
Japan: 10 yr JGB 5.45%			
IN NORTH SEA OIL (August)			
Brent Blend \$18.575	Oil: 107.645		

Washington move will allow Baghdad to spend \$1.1bn on medicine and food

## US clears way for Iraq oil sales

By Michael Littlejohns in New York and Robert Corzine in London

The US yesterday withdrew its opposition to a plan that will permit Iraq to sell up to \$2bn-worth of oil and use the proceeds for humanitarian purposes.

The move clears the way for the first approved international sales of Iraqi oil since the Gulf war began in 1990.

Ms Madeleine Albright, the US delegate to the United Nations, announced that Washington had dropped objections that had delayed the UN Security Council sanctions committee's approval of

a scheme to distribute food and medicine to Iraq's civilian population, including rebel Kurds in the north.

All 15 Security Council members sit on the sanctions committee and the US was the only member to object when the panel met last week.

Oil prices yesterday dipped 20 cents for the benchmark Brent Blend for September delivery but recovered in late trading to end at \$19.475 a barrel, a fall of 2 cents on the day.

Some traders fear the return of an estimated 700,000 barrels a day of Iraqi crude oil to world markets after a six-year absence could trigger further price falls, as Baghdad battles

to recover customers lost to rival Middle Eastern producers such as Iran, Kuwait and Saudi Arabia.

It was unclear last night when the first oil would be shipped. Oil traders said 12m barrels of Iraqi crude were stored at the Turkish port of Ceyhan ready for loading on to tankers. Iraqi officials said it could take only two weeks to conclude the first sale.

But western diplomats said a month might be needed to ensure enough aid and oil sales monitors were in place in Iraq to make certain the regime's compliance with the UN guidelines.

The Iraqi oil distribution

proposal was accepted last month by Mr Boutros Boutros Ghali, the UN Secretary General, but the US insisted on stricter monitoring.

Ms Albright said the US would make sure that the necessary procedures for oil sales and the distribution of civilian supplies were carried out "very rigorously". It was imperative to ensure that the "right people" benefited. She added that US approval did not in any way abrogate the existing sanctions regime.

Ms Albright said a few technical questions still had to be resolved. The US was insisting that the UN engage a sufficient number of monitors and

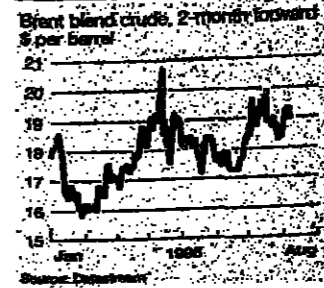
put them "in the right places".

Oil sales will be permitted over a six-month period, but delegates say the programme is likely to be extended if procedures are satisfactory.

Under the Security Council resolution adopted last year, Iraq would have to spend \$1.1bn on food and medicine, \$600m on Gulf war reparations, \$200m-\$300m on relief for the Kurdish minority and \$40m-\$100m on supporting UN operations in Iraq. UN inspectors will monitor how the money is spent.

The Organisation of Petroleum Exporting Countries, whose member countries control more than a third of world

Oil price



supply, has said it would call an emergency meeting if Iraqi oil sent world prices tumbling.

Commodities, Page 20

## Chechen rebels step up assault on Grozny

By John Thornhill in Moscow

Chechen separatists yesterday intensified their assault on Grozny, the capital of the southern Russian region, killing more than 50 federal troops and casting a shadow over President Boris Yeltsin's inauguration ceremony tomorrow.

After a fragile ceasefire agreement broke down earlier this month, Chechen rebels launched a series of guerrilla raids on Russian troop positions. Yesterday they fought their way into the heart of Grozny, seizing the telephone exchange and threatening to storm the local government headquarters.

The assault prompted a fierce response from Russian helicopter gunships as army commanders vowed to "take all possible steps" to evacuate civilians and clear the city of guerrillas. Russian reinforcements arrived in Grozny last night to secure government offices, according to Interfax, the Russian news agency.

The fighting in Chechnya will come as a severe embarrassment to Mr Yeltsin as he prepares to greet 3,000 Russian and foreign dignitaries at his inauguration ceremony in the Kremlin. The ceremony will be the first occasion that a democratically elected leader is sworn into office in Russia's history as a sovereign nation.

All leaders from the Commonwealth of Independent

States are expected to attend the inauguration as well as foreign ambassadors in Russia. But fresh concerns were raised about the state of Mr Yeltsin's health as the inauguration's organising committee switched the venue for the ceremony from the Cathedral Square to the Soviet-era Kremlin palace.

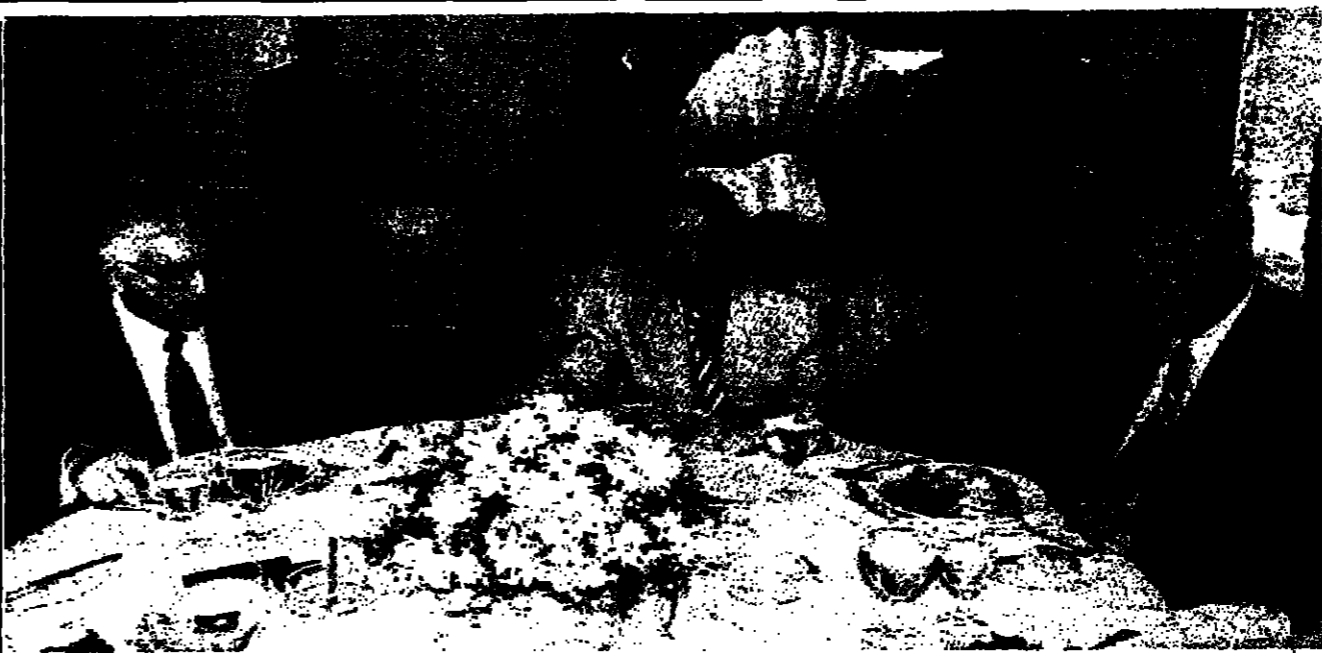
The president's press service said the change of venue from an outdoor to an indoor site was purely a cost-cutting measure that would save Rbs5,000bn (\$1.7m).

But some observers suggested Mr Yeltsin wanted to minimise his exposure at the ceremony, which has already been cut from 60 to 30 minutes. Mr Yeltsin has not been seen in public since June 26.

His failure to resolve the conflict in Chechnya may also alienate many of his liberal supporters who grudgingly backed the president's reelection bid. But Mr Alexander Lebed, the secretary of the Security Council, held out some hopes yesterday that a new more broadly based peace initiative would soon be launched in Chechnya.

Mr Lebed said the Security Council planned to convene a forum of all interested parties in Chechnya to hammer out a compromise solution.

Zyuganov eyes links with nationalists, Page 2; Tall order for a tired man, Page 11



Croatian president Franjo Tudjman (left) and Serbian president Slobodan Milosevic (right) at lunch with Greek premier Costas Simitis during talks in Athens where Serbs and Croats made progress on opening full diplomatic relations. Report, Page 2. Picture: Reuters

## France announces big spending cuts

By Andrew Jack in Paris

The French government yesterday announced plans for substantial cuts in public spending to achieve a planned spending freeze in 1997.

But scepticism in the markets about the French government's ability to maintain budgetary rigour reinforced recent downward pressure on the franc. It closed at FF3.413 against the D-Mark, its lowest closing level since March and a fall of 1.7 centimes against the D-Mark this week.

The Matignon, the prime minister's office, said it had set "an unprecedented" objective of cutting more than FF60bn (\$12bn) in real terms from

expenditure targets across government departments to ensure that next year's overall target was maintained at this year's level of FF1,562bn.

Mr Jean Arthuis, the minister of economics and finance, dismissed the pressure on the franc, which he said was driven by "rumours" that encourage speculation, "especially during August". Yesterday's expenditure freeze was "the best response" for the markets, he said.

He reiterated that the government would meet its objective that the 1996 deficit would not exceed 4 per cent of gross domestic product, falling to 3 per cent in 1997 and allowing France to meet the Maastricht criteria for monetary union.

Mr Arthuis said the first ele-

ments of the government's promised five-year tax reform programme would be unveiled in parliament this autumn, and that the government aimed to reduce the tax burden for the current year.

Yesterday's budget figures emerged after the last French cabinet meeting before the

Continued on Page 12

## Schering profits boosted by surge in MS drug sales

By Judy Dempsey in Bonn and Daniel Green in London

Schering, the German pharmaceuticals company, yesterday delivered the profits growth investors have been expecting for more than two years.

The sharp rise in profits was helped by a surge in the sales of Schering's multiple sclerosis drug, the first to be marketed by a pharmaceuticals group.

Net profits for the first half of the year rose 32 per cent from DM181m in 1995 to DM241m (\$165m). The company said it expected profits to grow by a third for the whole year.

This rate of growth is double that posted by most large pharmaceuticals companies at the interim stage. Schering shares rose 3.2 per cent to DM108.90.

The profits rise ends a run of disappointing results over the past year, caused partly by the strong D-Mark. Invest-

ment analysts have criticised the company for what they regarded as passive management. Mr Mark Tracey, analyst at Goldman Sachs in London, said the company had undergone a transformation in the first half of the year.

"Management seems to have got its strategic act together," he said. He said Schering had signed a distribution agreement with Abbott Laboratories of the US, one of the world's biggest suppliers of hospital drugs, for Schering's contrast agents, used to make X-ray images clearer.

Schering's growth was led by a sharp increase in foreign sales, lower tax charges and higher sales in its diagnostic and fertility divisions.

Sales of its multiple sclerosis drug, Betaseron, rose from DM190m to DM265m in the first half. Group sales rose 11 per cent from DM2.3bn to DM2.56bn. Foreign sales rose 12 per cent, from DM1.95bn to DM2.19bn, with sales in the

US and Latin America rising 20 per cent. Domestic sales increased 6 per cent, from DM355m to DM375m.

The tax burden on pre-tax earnings fell to 41 per cent as most growth was in countries with lower corporate tax rates than Germany.

Sales in the fertility control and hormone therapy division grew 10 per cent, from DM705m to DM775m, with Cilmar, a hormone drug launched last year in the US contributing DM21m.

Earlier this year, Schering took a 74.9 per cent stake in the Jenapharm group, an east German company specialising in fertility products. Last month it bought Leiras, the Finnish company specialising in fertility control and hormone treatments. The therapeutics business, which grew by 18 per cent, from DM677m to DM807m, was boosted by sales of Betaseron.

World stocks, Page 30

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## First European Union Conference on Campus Companies

Cork, Ireland. 4th & 5th September 1996

The exploitation of research results and the development of technology based firms are two of the keys to employment growth and regional development. In many countries the University campus has been a rich source of such start-up, high technology enterprises.

This conference will bring together international experience in establishing, nurturing, funding and growing campus companies. The programme will include key players in the field with speakers from Hewlett Packard, Massachusetts Institute of Technology, Elan, 3i and the European Commission. There will be a full supporting social programme.

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NEWS: EUROPE

Serbs and Croats edge a bit closer

By Kerin Hope in Athens and Laura Silber in Belgrade

Presidents Slobodan Milosevic of Serbia and Franjo Tudjman of Croatia yesterday appeared to make progress at talks in Athens on opening full diplomatic relations.

Greek premier takes a brief bow and retreats to the wings

Greece's prime minister, Mr Costas Simitis, made a quick exit yesterday after wishing the leaders of Serbia and Croatia success at the start of their talks at a seaside hotel outside Athens, writes Kerin Hope.

While Greek officials stressed that the meeting between Presidents Slobodan Milosevic and Franjo Tudjman was arranged by the Socialist premier "to promote peace and stability in the Balkans", they were careful not to sound over-optimistic about its outcome.

The Greeks have unhappy memories of a failed attempt in 1993 to reconcile the warring factions in former Yugoslavia. Those talks at the same hotel at Vouliagmeni, hosted by conservative prime minister Constantinos Mitsotakis, ended with all the ex-Yugoslav leaders putting their signatures to the Vance-Owen peace plan. But Mr Mitsotakis's diplomatic triumph collapsed a few days later when the self-styled Bosnian Serb parliament rejected the plan.

In the past year, Greece has tried to offset its image of being too close to the Serbs by promoting relations with Croatia and the Bosnian Moslems. Yet the traditional Greek-Serb friendship still flourishes. Mr Milosevic is a frequent visitor to Greece where he is courted by businessmen who used to ship oil and other supplies to Serbia in defiance of United Nations sanctions and are now keen to invest there.

The Serbian leader is believed to have asked Mr Simitis to set up the meeting with Mr Tudjman during a holiday aboard his new yacht, purchased in Athens. He arrived for yesterday's talks from Hydra, an island popular with Greek shipowners.

But relations were strained earlier this year when Mr Milosevic decided to recognise the former Yugoslav republic of Macedonia under that name, which Greece claims should be changed to avoid implying a claim on the Greek province of Macedonia.

Diplomats in Belgrade said Mr Milosevic requested the meeting to try to speed the process of mutual recognition with Croatia.

He is anxious to secure recognition for Serbia and Montenegro as the sole successor state to the Yugoslav federation, taking over its seat at the United Nations and its membership of the International Monetary Fund without having to meet any conditions which might be imposed on a new member.

Mr Milosevic had also revived his proposal for a three-way exchange of territory with Croatia and the Bosnian Serbs which would improve access to rump Yugoslavia's only naval base in the Bay of Kotor.

In return for handing over the Frevjaka peninsula which overlooks Kotor, Croatia would get Bosnian Serb-held land in the hinterland of Dubrovnik. The Bosnian Serbs would get a strip of land between Yugoslavia and Croatia.

Zyuganov eyes links with nationalists

By John Thornhill in Moscow and agencies

Russia's Communist party yesterday attempted to revive its political fortunes after last month's crushing presidential election defeat by forging a formal political alliance with leading nationalist groups.

At the founding congress of the National Patriotic Union, leading Communist politicians urged all opposition forces to rally around the new movement to campaign for the next presidential election in 2000.

A common programme has still to be developed for the wide spectrum of political views but there were signs of a shift from the communist past towards a more nationalist position. Draft documents circulated at the conference made no mention of socialism.

Such a move reflects the perception of many politicians, including moderate communist leaders, that nothing resembling old-style communism could command enough support for electoral success in Russia.



All in favour. Mr Gennady Zyuganov (centre) votes with colleagues at the congress yesterday

Moderate nationalism appears to have a wider appeal because many people yearn for the superpower status lost when the Soviet Union collapsed in 1991. Some extreme Communists were wary of the new union.

Mr Mikhail Lapsin said he hoped radical parties such as Working Russia would not join the new Union.

"There must be a normal, constructive opposition," he said in a television interview before the congress.

Mr Anpilov responded by distributing a statement at the congress saying he would join the Union only if it agreed to complete lack of co-operation with the authorities. Working Russia won more than six million votes in a parliamentary election last December but moderates would welcome a break with Anpilov because any association with him limits the chances of attracting millions of potential centrist voters.

Old ghost back to haunt Spain's new team

The spectre of the "dirty war" against Basque terrorism, which haunted Spain's Socialists during their last term in office, has returned to torment the country's new conservative administration.

The 'dirty war' inquiry which tormented the Socialists is now straining the conservatives, writes David White

Controversy over the government's approach to the investigations has rocked inter-party consensus on the handling of Basque violence. It has also strained relations between the governing Popular party and the moderate Basque Nationalist party (PNV), one of the allies on whom it relies for a majority in parliament.

Mr José Antonio Ardanza, PNV president of the Basque region, said his government is set to call a special meeting of the main political parties in the region, probably next week, overriding objections from both the Popular party and the Socialists.

The meeting is under the terms of a pact, signed by the parties in 1988, to work together to pacify the Basque country. It has been prompted by the government's refusal to hand over secret service documents to three judges investigating "dirty war" cases, and by the release from custody of a Civil Guard general who had commanded the force's main operational headquarters in the region.

Mr Ardanza's decision is the result of a switch in position by the PNV, joining demands by the Communist-led United Left and Euzko Alkartasuna, a harder-line Basque splinter party. The PNV accused the court which ordered the release of the controversial Civil Guard officer, Gen Enrique Rodriguez Galiano, of yielding to pressure.

"I was elected to govern this country, not to stir up the past," he insisted. However, his party made clear it would attend the talks. The Socialists described the initiative as "a mistake".

Norwegian onshore oil workers threaten strike

Talks were under way in Oslo last night to stop a proposed strike by Norwegian onshore oil workers which could shut down Norway's largest refinery and disrupt crude deliveries, Reuter reports from Oslo.

The YS skilled workers' union yesterday threatened to pull out 280 members at the Mongstad crude terminal and refinery if there was no agreement on general working terms with the Norwegian Oil Industry Association.

This gave rise to fears yesterday that the dispute could spread to the gas and petrochemical sectors.

The YS workers, who include engineers, operators and office personnel, are employed by Statoil, the state-owned oil company, which operates the Mongstad facilities.

The terminal handles crude from Norsk Hydro's Troll and Statoil's Heidrun fields and some deliveries from the Gullfaks and Statfjord developments. It has a storage capacity of 6m barrels of oil. The nearby refinery has a throughput capacity of 144,000 barrels per day.

Statoil said it was working on contingency plans to lessen the impact of any action. It has 800 YS members working across its operations. If the initial strike goes ahead, YS is reported to have plans to accelerate action after four days.

Extended action would affect operations at the Kaarstoe gas terminal and at Statoil's joint venture Borealis petrochemical plant in south-east Norway.

Kaarstoe is the processing terminal for the Statpipe line, which collects gas from the Statfjord, Gullfaks, Torisd, Snorre, Brage Veslefrikk and Heimdal fields for transport to Emden in Germany. It has a capacity of about 25m cubic metres a day. It is also the landing point for condensate from the 60,000 bpd Sleipner field.

The Borealis plant, a joint venture between Statoil and Finland's Neste Oy produces 130,000 tonnes a year of high-density polyethylene, 140,000 tonnes of low-density polyethylene and 100,000 tonnes of polypropylene.

Borealis said it was too early to tell if the plant would close completely if the strike spread. The company has 80 YS members out of 650 employees.

After a recent string of Eta attacks in tourist centres, police experts on Tuesday blew up a suspected bomb at a state-owned Parador hotel outside Córdoba.

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NEWS: THE AMERICAS

# Republican abortion rift deepens

By Jurek Martin in Washington

The deep Republican divisions over abortion were further underscored yesterday as moderates accused religious and cultural conservatives of trying to create a "monolithic" party, while pro-life candidates emerged victorious in scattered congressional primaries.

Governor William Weld of Massachusetts, a staunch advocate of abortion rights, warned that he was ready to lead a floor fight at next week's convention in San Diego if the party's platform committee did not agree to publish a minority report emphasizing the diversity of Republican opinion.

The support of a majority in six state delegations is needed to bring any issue to the floor of the convention for full debate, a goal which Mr Wilson thought was within reach.

Mr Weld argued that it was vital for Republicans to show their "inclusiveness" on social issues and concentrate on economics in the fight against President Bill Clinton.

"If we do that, I don't think it's necessarily negative for [likely presidential candidate Bob] Dole to pick either a pro-life or a pro-choice running mate."

But the strength of the pro-life forces at grass-roots levels was again shown in the Republican primaries, frequently dominated by committed activists. In three of the four Senate contests, in Kansas, Michigan and Georgia, the only important difference between the winners and losers was their position on abortion.

# US growth eases

The US economy kept growing in June and July, the Federal Reserve said yesterday, but there were signs the pace was easing from its hectic second-quarter rate, Renter reports.

The book, compiled by the New York regional Fed bank, when they meet on August 20 to plot interest-rate strategy.

# David Pilling on the economic problems awaiting Cavallo's replacement

## Different minister, same Argentina

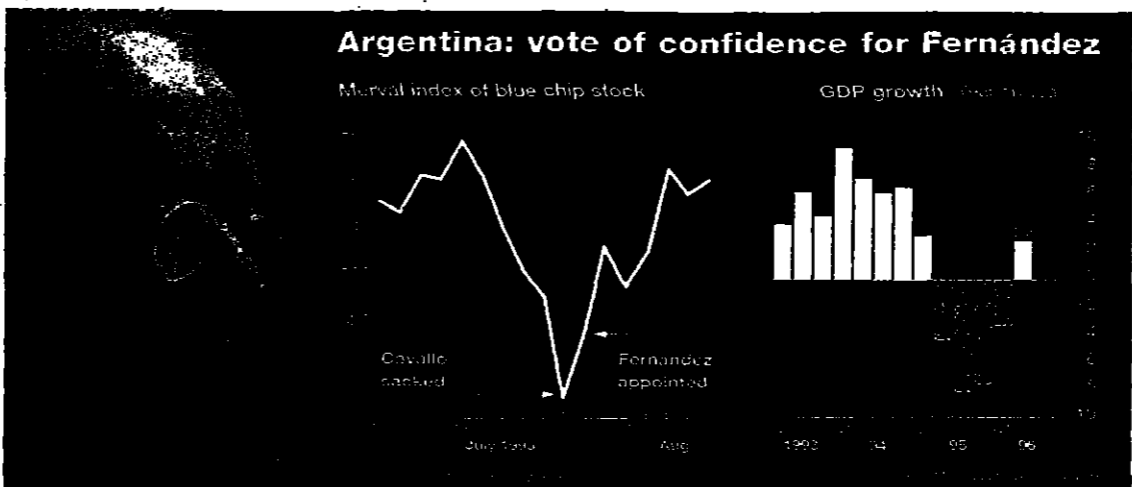
Mr Roque Fernández, Argentina's new economy minister, could hardly have hoped for a smoother first few days in office. Instead of the turbulent markets many had expected to follow the removal of Mr Domingo Cavallo, his predecessor, Mr Fernández has been greeted by market optimism and strong investor support.

Much of that is to do with the political astuteness of President Carlos Menem, who judged to perfection the moment to sack his assertive economy minister - once considered the guarantor of Argentina's economic model - and who mounted an impressive operation designed to bolster the credibility of Mr Fernández the weekend after the dismissal.

Before markets opened on Monday July 29, Mr Fernández had received the support of all sections of the Argentine establishment, including Mr Cavallo. He had also named a team of highly orthodox, monetarist economists judged stalwart defenders of the convertibility system, Argentina's economic cornerstone that pegs the peso at parity with the dollar.

Markets reacted like a dream, with the local Merval index of blue-chip stock up nearly 10 per cent in the first week after Mr Fernández's appointment. Interest rates remained virtually unchanged.

"The world did not collapse," says Mr Freddy Thomassen of ING, the Dutch bank. "But now we realise that this is the same world as last month, with the same problems and few solutions."



itself from the deep recession of last year. Tax receipts are short of targets set with the International Monetary Fund, obliging the treasury to raise taxes further or to look for spending cuts. Convertibility, which forbids the printing of local currency not backed by foreign inflows, in effect removes the tools Argentina might otherwise use to jolt the economy into action.

Room for manoeuvre is narrow. Next year, according to Merrill Lynch, the US securities house, Argentina's financing needs reach an uncomfortable peak, with debt-service payments rising from \$11.7bn in 1996 to \$14.8bn.

"The reason the transition was so smooth was due to the orthodoxy of the economic team," says Mr Pedro Lacoste of the Alpha economic consultancy. "But this could backfire in the medium term."

because Mr Fernández, as a strict Chicago-trained monetarist, is likely to be more rigid in his policy decisions than Mr Cavallo. Social and political demands are mounting fast, given 17 per cent unemployment, and the likely inflexibility of Mr Fernández could quickly become a headache for the Peronist party, which has its roots in the working class.

Neither does Mr Fernández have the political clout of his predecessor, who often took the blame for unpopular decisions, shielding the president from criticism.

Mr Fernández, most analysts agree, will take a tougher stance than Mr Cavallo on the growing fiscal deficit - likely to reach \$6bn, or nearly 2 per cent of gross domestic product, this year. Mr Cavallo tended to put his faith in expected future growth, while Mr Fernández, conscious of the rig-

orous standards imposed on Argentina by foreign investors, will be inclined to seek immediate deficit reduction.

"On the one hand, Fernández has to adopt a tighter fiscal policy to show that the deficit has not become structural," says Mr Lacoste. "But, on the other, he has to make every single effort to speed up recovery. That, of course, is a contradiction."

Mr Geoffrey Dennis, chief Latin American strategist at Bear Stearns, the US investment bank and brokerage group, agrees:

"The biggest problem, once you've got over the issue of confidence, is that it's going to be no easier for Fernández - and probably more difficult - to get the economy going again."

the same problems as Cavallo.

It is unclear whether the fractious Peronist party has the stomach to push through ever-tougher policies. Peronists in Congress have promised to co-operate with the new minister but, with the threat of market collapse overcome, their pledges may quickly evaporate. A commitment last week to dispatch several privatisation bills has already been broken. Unions too, which are today mounting a 24-hour general strike against economic policy, are not likely to extend an over-friendly hand to the conservative Mr Fernández, who is bent on making labour relations more flexible and on seeking further spending cuts. It may not be long before the wrath previously reserved for Mr Cavallo shifts to his replacement.

"Mr Fernández may be doomed to entering a lose-lose game," warns Mr Shaqif Islam of Credit Suisse. "If he goes after greater fiscal austerity in a jobless economy struggling to emerge from recession, he will quickly earn the wrath of the old-guard Peronists... If he gives in to Menem's manipulation, he will lose credibility in the international financial community and earn the ire of the IMF."

Mr Orlando Ferreres, an economic consultant, believes that Mr Fernández has the skills to steer the economy in the right direction, and that President Menem has the political courage to push through necessary legislation.

Above all, he says, recent events have been a test of five for Argentina. "The minister of convertibility has gone," he says. "But convertibility itself has remained."

# Canada paves way for telecoms battles

By Bernard Simon in Toronto

Canada has bowed to the rapid convergence of telecommunications services by clearing the way for open competition between telephone and cable television companies.

Players on both sides are expected to move cautiously to take advantage of the new policy, which was announced after a cabinet meeting earlier this week.

Mr John Manley, industry minister, said "the objective of the exer-

cise is to provide choice, to produce technological innovation and to bring about lower prices for consumers."

But Mr John Henderson, analyst at ScotiaMcLeod, a Toronto-based securities firm, said the new regime "doesn't change the economic or technical barriers, which are high". In addition, various regulatory issues, such as inter-connection rules and curbs on cross-subsidisation, still need to be ironed out.

Canada has taken a more grad-

ual approach than some other industrial countries in telecoms and broadcasting deregulation.

The telephone market is dominated by about 10 local phone companies, led by Bell Canada, which have a near-monopoly on services in each province. The phone companies have proved unexpectedly agile in responding to competition in the long-distance market, introduced in 1992.

The cable-TV industry has the advantage of a modern network and one of the world's highest pen-

etrations. About 80 per cent of Canadian homes have access to cable-TV.

But the cable operators have so far concentrated on specialised telecoms markets, such as broadcast studio feeds and private business circuits. The phone companies' muscle, cross-subsidisation of local rates by long-distance services, and sobering experiences in other countries, notably the UK, have made the cable-TV industry hesitant to mount a full-scale assault on the telephone market.

Mr John Kuhn, a Toronto consultant, predicted some cable operators will start providing local telephone services next year. British Columbia's phone company recently gained approval to supply cable-TV programming to a large new residential development in Vancouver.

However, head-to-head competition could be fiercest in high-speed internet services. Some cable operators have recently begun trials in a Toronto suburb and in parts of Quebec.

ahead for and Mobil  
to benefit German  
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pandemic

trade surplus falls

film star dies

Crime prompts  
global  
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Jürgen Weber, Chairman of the Lufthansa Executive Board, comments: "This conduct is unfair because it flagrantly violates the code by which subsidies are granted – namely as 'one-time' restructuring assistance, which may not be used to finance price dumping activities. However, this is exactly what has happened.

Prices have dropped by thirty, even fifty percent – in some cases to compensate

for the disadvantage of detours via foreign hubs for passengers and airfreight shippers. Then there are airlines which – although posting losses – submit unrealistic bids for public contracts in order to maintain their cash flow."

Yet, despite these patently unfair conditions, those airlines which are wholly or for the most part privatised – such as British Airways, SAS and Lufthansa – operate at a profit, while state-owned European carriers are in the red.

In the long run, however, we can only remain competitive by rigorously controlling costs, while further improving the

quality of our services and investing in technical innovations.

Together with our alliance partners, we feel well prepared for the third stage of liberalisation in European aviation.

However, full traffic rights for all must also mean equal opportunities and obligations for all. That is why we are firmly committed to an open market with no government subsidies. In brief, to a balance in European air traffic.



# Lufthansa

The Group

NEWS: WORLD TRADE

WORLD TRADE NEWS DIGEST

# Toyota and TI weigh venture

Toyota Automatic Loom Works, a core company of the Toyota group, and Texas Instruments of the US are expected to announce a joint venture to produce advanced generation semiconductor chips in Japan for use mainly by the Toyota group of vehicle manufacturing companies.

The joint venture agreement, which was reported by the Nihon Keizai Shimbun, Japan's financial daily, was neither confirmed nor denied by Toyota or Texas Instruments. "We have not made that announcement," Texas Instruments in Tokyo said yesterday.

However, the deal, expected to result in a semiconductor manufacturing facility to produce advanced 256-megabit dynamic random access memory chips from 1999, would benefit both companies. TI, which has successfully built a number of partnerships in semiconductor production, would benefit from the Toyota group's substantial financial resources while the Toyota group could use its surplus funds to move into a new business which could provide it with future growth. A new semiconductor facility is believed to cost between \$1bn to \$1.5bn to build.

Michio Nakamoto, Tokyo

## Manila cement plant setback

The Philippine government yesterday refused to issue a licence for a \$600m cement plant north of Manila on ecological grounds.

The decision to reject the plant, a joint venture between Marubeni of Japan and Tuntex of Taiwan, is the latest in a series of recent decisions by the government heralding a much stricter interpretation of the country's existing environmental regulations. Officials said the plant, with a capacity of 3.2m tonnes of cement a year, would have damaged local marine and eco-systems even though it had planned to install the most up-to-date "dry process" technology.

Mr Victor Ramos, who has been credited with initiating the government's stronger environmental line since his appointment as secretary of state for the environment 12 months ago, said that Marubeni and Tuntex would be permitted to look for a site elsewhere in the Philippines.

Government officials are also preparing an assessment of a proposed \$500m cement plant in Palawan, the country's westernmost island. If accepted, the consortium, led by Fenway Resources of Canada, would invest in doubling the island's meagre power capacity and provide over 1,000 jobs.

Edward Luce, Manila

## Saudi-Japan loan accord

Saudi Methanol Company (AR-Razi), a joint venture affiliate of Saudi Basic Industries Corporation (Sabic) and a consortium of Japanese companies, yesterday signed a \$160m loan agreement with the Export-Import Bank of Japan (Exim) to finance its expansion programme.

The loan will fund the construction of an 850,000 metric tonnes a year (mt/y) chemical grade methanol plant at the AR-Razi complex in Al-Jubail industrial city. AR-Razi is the largest single complex chemical grade methanol producer in the world, with its existing two plants producing 1.1m tonnes a year. AR-Razi signed a construction, engineering and procurement contract with Mitsubishi Heavy Industries of Japan last April for the new plant. The new plant will also use Mitsubishi Gas Chemical Company's production technology and is scheduled to come on stream in mid-1997. AR-Razi's methanol is currently exported to Japan, the US, Europe, and south-east Asian countries.

Sean Evers, Cairo

# Antagonists queue for WTO judgment

Frances Williams on a vote of confidence in the trade body's capacity to settle disputes

Japan's complaint against Brazil's import regime for cars, lodged with the World Trade Organisation last week, was the 51st trade squabble to be brought to the WTO for arbitration since its creation in January last year.

The number of WTO disputes - there have been 26 filed since the beginning of this year - compares with 196 cases handled by its predecessor, the General Agreement on Tariffs and Trade, over nearly half a century. This represents an important vote of confidence in the WTO's strengthened dispute settlement procedures. From the outset the system for handling disputes has been seen as critical to the new organisation's credibility as a world trade policeman. Though some key provisions have yet to be tested, the general verdict after 18 months is that the system is working as intended.

Countries can no longer block the establishment of panels or ignore their findings as they could under Gatt. They may appeal against a panel ruling but the decision of the appeal body is final. Every stage of the process is subject to strict time limits and countries that refuse to comply with WTO judgments face authorised trade sanctions.

The top four traders - the US, EU, Japan and Canada - continue to dominate the dispute settlement process, with one or more involved in 43 cases as either a complainant or a defendant. But, encouraged by the nature of the WTO system, including the right of redress, developing countries are making much more use of dispute settlement procedures than they did under Gatt. They have launched 21 complaints, including six against the US and six against the EU, as well as several among themselves.

Another factor encouraging WTO complaints has been the organisation's more comprehensive remit. New or clearer rules on agriculture, food safety, textiles,

## The conflicts so far...

### Disputes at consultation stage

(Date of filing)

- Australia ban on salmon imports: complaint by Canada (October 1995) and US (November 1995)
- Turkish textile import duties: complaints by Hong Kong (February 1996), India (March 1996) and Thailand (June 1996)
- Hungarian farm export subsidies: complaint by Argentina, Australia, Canada, New Zealand, Thailand and US (March 1996)
- Philippines' patent rules: complaint by US (April 1996). Similar US complaint against India (July 1996)
- Portugal's patent rules: complaint by US (April 1996)
- US legislation tightening economic embargo on Cuba: complaint by EU (May 1996)
- South Korean telecoms procurement: complaint by EU (May 1996)
- South Korean inspection procedures for agricultural products: complaint by US (May 1996); earlier complaint filed April 1995
- Lack of Japanese copyright protection for pre-1971 sound recordings: complaint by EU (May 1996); earlier complaints by EU and US
- Taxation of foreign film revenues: complaint by US (June 1996)
- Restrictions in Japanese photo-film market: complaint by US (June 1996)
- Japan's retail distribution system: complaint by US (June 1996)
- Brazil's export subsidies for aircraft: complaint by Canada (June 1996)
- US anti-dumping probe on tomatoes: complaint by Mexico (July 1996)
- Brazil's car import regime: complaint by Japan (July 1996)

### Panel investigations under way

(Date established)

- Japanese liquor taxes: complaint by EU, Canada and US (October 1995). Panel report upholding complaint completed June 1996
- Brazil's anti-subsidy duties on decaffeinated coconut: complaint by the Philippines (March 1996). Sri Lanka filed separate complaint (February 1996)
- US import quotas on underwear: complaint by Costa Rica (March 1996)

- US import quotas on wool shirts and blouses: complaint by India (April 1996)
- EU banana import regime: complaint by Guatemala, Ecuador, Honduras, Mexico and US (May 1996). An earlier complaint was filed in September 1995
- EU ban on hormone-treated beef: complaint by US (May 1996). Canada filed a separate complaint (June 1996)
- Canadian restrictions on imported magazines: complaint by US (June 1996)

### Disputes settled

- US pollution standards for petrol: complaints by Venezuela and Brazil upheld on appeal
- Malaysian restrictions on petrochemical imports: complaint by Singapore withdrawn after measures rescinded
- South Korea's rules on shelf-life for food products: complaint by US withdrawn after settlement
- Japanese telecoms procurement: complaint by EU suspended. Threat of US punitive sanctions: complaint by Japan withdrawn after car dispute settled
- EU labelling regulations for scallops: settlement reached with Canada, Peru and Chile after panel upheld their complaints

- EU duties on cereal imports: complaint by Canada, US, Thailand and Uruguay suspended after settlement
- Poland's car import regime: complaint by India withdrawn after settlement
- South Korea's rules on bottled water: complaint by Canada withdrawn after settlement
- Venezuelan anti-dumping probe on subular goods: complaint by Mexico suspended after settlement
- US import quotas on women's and girls' wool coats: complaint by India withdrawn after quotas rescinded
- US punitive tariffs in beef hormone dispute: complaint by EU suspended after tariffs repealed

A feature of the WTO's dispute mechanism has been success in encouraging settlement of trade arguments at an early stage. Nine cases have been formally withdrawn, and a few others have been settled "out of court". In most of these the dispute was resolved during the 60-day consultation period, though the EU waited for an unfavourable panel report on its labelling regulations for scallops before coming to a deal with Canada, Peru and Chile.

Seven cases are currently being examined by panels while three complaints against Japan's discriminatory liquor taxes were upheld by a panel that reported in June. Japan is considering an appeal. Thirty more disputes are in the consultation phase. It falls to many cases could overload the system, especially at the appeals stage. There is also concern over compliance. Rules on the implementation period are

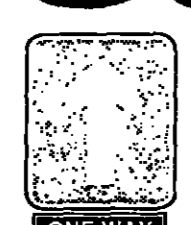
vague, specifying only that countries should implement WTO judgments within a "reasonable period of time". The system has also yet to confront the more politically sensitive disputes. The first test is likely to be the expected panel ruling against the EU's hormone ban, where Brussels may try to offer compensation to the US and others rather than lift the prohibition. The EU's complaint against the new US law penalising foreign investors in Cuba could prove even more controversial. The EU has hesitated to push the dispute to a panel because success is by no means assured, with the US planning to invoke the broad "national security" exception in WTO rules. But another reason for that hesitation is the fear of winning and the damage that could be inflicted on the WTO's credibility if - as seems all too probable - the US refused to comply with the judgment.

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# Toyota to build \$150m plant in Brazil

By Michio Nakamoto in Tokyo and Jonathan Wheatley in São Paulo

Toyota, Japan's largest carmaker, is to invest \$150m in a new production facility in Brazil despite a continuing row between the two countries over Brazil's car policy. Japan claims the policy breaches international trade rules and Tokyo has filed a complaint against Brazil with the World Trade Organisation contending that the policy favours vehicle manufacturers based in Brazil over those which do not have manufacturing facilities there.

Toyota said yesterday its decision to manufacture in Brazil stemmed from market conditions and growth prospects, rather than the Brazilian government's recently adopted car trade policy. The new facility, which will be Toyota's second in Brazil, will be located in São Paulo and will produce the Corolla medium-sized passenger car from the end of 1998. Initial production capacity will be 15,000 units per year but is expected to increase with the development of the regional car market, Toyota said.

Under Brazil's policy, manufacturers with local content of over 60 per cent and which balance exports of vehicles with imports of parts, will be able to reduce tariffs on finished vehicles from as much as 70 per cent to 35 per cent. Japanese trade and industry officials say the policy benefits US manufacturers which have been based in Brazil for many years but discriminates against Japanese companies, most of which do not have manufacturing operations there.

Toyota is the only Japanese vehicle maker operating in Brazil, producing small numbers of its Bandeirante utility vehicle at a plant near São Paulo. Late last year, just weeks before the Brazilian government unveiled its new policy, Honda announced that it would start manufacturing passenger cars in Brazil from 1997.

Neither Toyota nor Honda will be able to take advantage of the new policy. Local content for Brazilian-made Corollas will initially be just 45 per cent and the company does not plan to export the cars right away. Honda also expects it will take some time before its facility can meet the Brazilian government's requirements to qualify for preferential tariffs. Nevertheless, the prospect for growth in the Brazilian car market encouraged both companies to invest in Brazil. At the same time, saturation of the Japanese market, where Toyota has seen its market share slip recently, has forced the leading carmaker to expand more aggressively overseas, particularly in developing markets where the prospects for growth are better.

# Chrysler considers Philippine base

By Edward Luce in Manila

Chrysler, the US car manufacturer, is considering the Philippines among other possible sites for a \$500m-\$750m car assembly and components plant which would act as a base for exports to south-east Asia, according to Philippine officials. The Philippine government, which earlier this year suffered a setback when General Motors of the US opted for Thailand instead of the Philippines for a \$750m plant, said Chrysler executives had recently visited Manila to discuss the possibility with senior ministers. The Detroit-based company, which already assembles cars in Thailand and distributes Jeep Cherokee and Dodge Caravan models in the region, would assemble estate cars for export. Ministers said Chrysler was also studying the viability of opening a new plant in Thailand, the largest base for foreign car assemblers in south-east Asia.

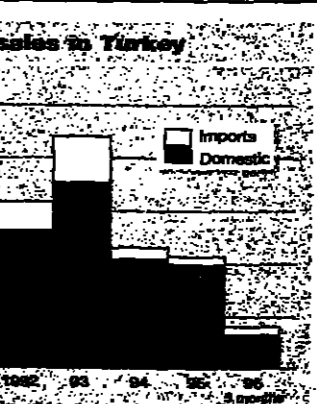
"It is very early days for Chrysler at the moment but we are keen to become a regional car manufacturing base and have not allowed the General Motors decision to dissuade us," said Mr Melillo Salazar, under-secretary of trade and industry. "We have told Chrysler that the incentives we offered to GM are available to all potential investors." The list of incentives offered by Manila to GM, which, owing to their generosity, sparked some controversy in the Philippines, included a

four- to six-year income tax holiday, rent-free land for five years, unspecified government investment in road infrastructure and a \$30m subsidy for training. The Philippine government is also negotiating with the Manila-based Asian Institute of Management to set up a vehicle management training school designed to aid potential investors. General Motors, which said it chose Thailand over the Philippines because of its superior infrastructure and car manufacturing skills base, has also pledged to invest in smaller vehicle components plants in the Philippines over the next 12 months. Officials say Ford of the US is also looking at possible sites in the Philippines. The Philippine market, with 153,000 vehicle sales last year, is less than one-third the size of that in Thailand. Four Japanese companies, Honda, Toyota, Mitsubishi and Isuzu have assembly plants in the Philippines. Proton Philippines, the local arm of the Malaysian car company, is setting up an assembly plant north of Manila with a capacity of 30,000 vehicles a year.

# Renault to invest \$362m in Turkey

By John Barham in Ankara

Renault, France's state-owned carmaker, will invest \$362m (£235m) to build its Megane range of estate cars in Turkey. Mr Uluç Soytemez, state minister, said Renault has applied for authorisation to make the investment which should create 1,100 jobs and described it as the biggest investment in Turkey since the customs union with the European Union in January. Renault, Turkey's second manufacturer, holds about one-third of the market, after Toias, an affiliate of Italy's Fiat. Both companies had already announced large investment programmes to introduce new models, modernise their Turkish factories and increase capacity. Renault's decision to invest is an important gesture of confidence in Turkey, following the appointment in June of an Islamist-led coalition government. Mr Jacques Chauvet, Renault general manager, warned recently of the importance of maintaining "stability of the rules of the game. You need some visibility when you invest hundreds of millions of dollars." He and other local car industry executives have watched with unease the rising investment by Asian competitors in Turkey. Toyota began producing Corollas in 1994. Honda is to begin making 30,000 Civics a year. Mazda is reportedly seeking a Turkish partner. Suzuki plans



a \$100m light commercial vehicle plant for 1997. South Korean companies are also considering investing in Turkey. Mr Chauvet said: "We are not afraid of competition, but it must be fair". He complained of alleged pressure by Japan and South Korea on Turkey to waive tax, import duties and local content rules. Customs union has made Turkey an attractive manufacturing base with free access to the EU and low wage costs. Companies can only export to EU markets after attaining minimum local content levels. Analysts say production capacity could rise, nearly two-thirds, to 800,000 units a year if all planned investments proceed. Domestic sales have slumped to 200,000 units annually, with exports accounting for a small but rising proportion of output. Executives believe the downturn is temporary, caused by political uncertainty and a volatile economy. Demand has halved since 1993 when Turks bought 441,600 cars, though sales did rise 11 per cent in January-May to 80,982 units.

**POLSKI BANK ROZWOJU S.A.**  
POLISH DEVELOPMENT BANK

The Management Board of Polski Bank Rozwoju S.A. - Polish Development Bank in Warsaw, Poland hereby informs that pursuant to Art. 393 § 1 of the Commercial Code and § 29 of the Company's Charter it convenes the Extraordinary General Meeting of Shareholders to take place on 20 August 1996 at 13.00 in Warsaw at 5 Plac Trzech Krzyży in the Conference Rooms 140 A and B (1st floor) of the Central Planning Office Building with the following Meeting Agenda:

- 1) Opening and appointment of the chairman;
- 2) Establishment of validity of the meeting;
- 3) Appointment of the returning (vote counting) committee;
- 4) Adoption of a resolution on the consolidated financial statements in respect of 1995;
- 5) Adoption of a resolution on changes to the bank's Charter;
- 6) Adoption of a resolution changing the resolution of the General Meeting of Shareholders no. 4 on bond issues from 22nd March, 1991;
- 7) Conclusion of the Meeting.

Management Board  
Polski Bank Rozwoju S.A.  
Polish Development Bank

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For the benefit of those who... sales are jumping... for the past... over 100,000... worldwide... the supply to meet... Opel was Japan's... brand in June... thanks to...

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⊕  
は日本で、売れル、売れル。オペル。

For the benefit of those whose Japanese may be less than fluent, our headline reads: "Opel sales are jumping in Japan." And they have been for the past three years. We've produced well over 100,000 Opel cars for this competitive market, one of the growing number of markets, worldwide, where we are constantly increasing the supply to meet demand.

Opel was Japan's Number One imported car brand in June, thanks to burgeoning sales of the

Vectra and Corsa. For the first half of the year, Opel, and its partner in Japan, Yanase, increased new car registrations by 36%. By the year 2000 we expect to sell 80,000 cars annually in Japan, two-and-a-half times more than in 1995.

What this performance tells us is that the Japanese – probably the world's most quality conscious (and demanding) consumers – are favorably impressed by Opel products. And equally important, that our ambitious goals for

Japan and the rest of the booming Asian-Pacific region are within reach.

So the next time you see an Opel headline in Japanese, Chinese, Malaysian, Indonesian or Thai, it won't all be Greek to you.



NEWS: UK

Deterioration in public finances adds to fears that inflation target will be missed Central bank urges interest rate rise

By Robert Chote in London

Mr Kenneth Clarke, the chancellor, will have to raise interest rates and cut government borrowing if he is serious about hitting the inflation target, the Bank of England warned yesterday.

largely because the chancellor cut rates in June. The Bank is also worried by the deterioration in public finances revealed in the Treasury's summer forecast.

With domestic spending already accelerating, the Bank expects the pace of economic growth to rise above its long-run trend of between 2 and 2.5 per cent a year through the rest of this year and into 1997.

The Bank's warning raises the spectre of further disagreement over interest rates between the chancellor and Mr Eddie George, the governor of the Bank.

The Bank expects the underlying rate of inflation - which excludes mortgage interest payments - to fall from 2.8 per cent to 2.5 per cent or below later this year and 2.25 per cent in mid-1997.

Unions in fight to save last deep mine

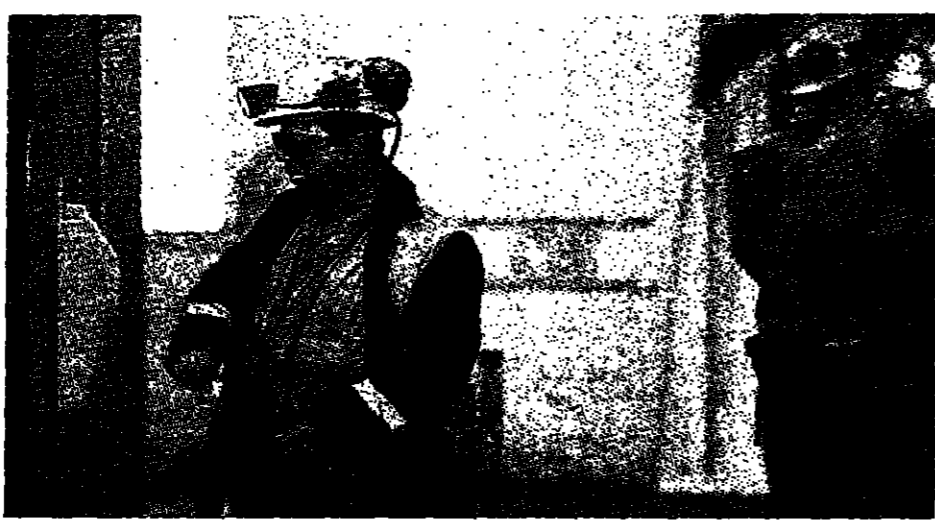
By Kenneth Gooding, Mining Correspondent

Desperate efforts were being made by mining unions last night to save the last deep coal mine in north Wales.

RJB Mining, which acquired the mine from British Coal 19 months ago, said it had been approached by union representatives suggesting an employee buy-out of the Point of Ayr colliery near Talacre.

RJB told its employees that Point of Ayr had suffered losses of nearly £5m (£7.8m) since it was acquired and it must close immediately.

RJB advised the unions to be very cautious about making an offer for the mine. The company had concluded there was no prospect of Point of Ayr ever making a



Miners at Point of Ayr Colliery clock off yesterday after RJB announced closure plans

sustained profit. However, it said that it would be willing to accept £1.2m (£1.86m) for the mine and its equipment.

British Coal spent £4.5m in an attempt to improve the prospect of economic working at Point of Ayr.

Last year Point of Ayr's output was 313,000 tonnes of coal and another 177,000 tonnes was produced in the first seven months of 1996.

Lloyd's in discipline overhaul

By Ralph Atkins, Insurance Correspondent

Lloyd's of London yesterday responded to complaints about its disciplinary procedures by announcing a wide-ranging revamp.

New measures include a "fixed penalty" system and a new disciplinary board chaired by an outsider.

offences at the market but have since left.

The reforms follow criticism last year by the House of Commons Treasury committee and were described by Lloyd's as "the most

comprehensive in its scope and swiftest."

The latest changes follow the announcement earlier this year of a scheme for the compulsory individual registration of market practitioners, which is expected to lead to a significant number of exclusions from the 300-year old insurance market.

is to improve standards.

Yesterday's changes widen the number of offences which could lead to disciplinary proceedings. There will also be more scope for "out-of-court" settlements.

Landowners seek EU aid for grouse moors

By James Buxton in Edinburgh

Scottish landowners yesterday urged the European Union to give financial help to operators of grouse moors.

Because of several poor years for grouse, Scottish grouse moors lost an estimated £10.6m (£16.53m) in 1994 (the latest date for which figures are available) on turnover of only £3m.

for grouse moors and other sporting estates to be made eligible for EU regional development grants.

The federation has been pressing the UK government and the European Commission to bring forms of land use other than agriculture into the Cap. This would entail a switch from subsidising livestock and crops to giving support on the basis of the acreage under management, with the aim of rewarding "responsible land use" such as forestry and conducting sporting activities.

Car sales figures fuel optimism

By John Griffiths

Registrations of new cars jumped by 17 per cent year-on-year in July, further boosting hopes of 2m-plus sales this year for the first time since 1990.

UK makers were, however, less pleased by import statistics published this week. Imports accounted for 84.4 per cent of the July market, up from 82.5 per cent, a year ago, and for 61.8 per cent in the first seven months (85.5 per cent).

The registration figures issued, however, conveyed more a mood of optimism than a significant contribution to sales figures. The July market is traditionally small because most buyers prefer to wait for August and the introduction of the annual registration prefix.

Table titled 'UK NEW CAR REGISTRATIONS - JANUARY-JULY 1996'. It shows monthly and cumulative registration figures for various car models and categories, including Ford, Jaguar, General Motors, and others, comparing 1996 data with 1995 data.

Dealers and carmakers confidence will nudge August registrations close to 500,000. Total registrations for the first seven months of the year reached 1,038,789 - a 5.8 per cent up on the same period last year. An extra incentive to buy in early August is being provided by price increase plans announced by some carmakers. Ford's average 1.8 per cent rise will apply from August 12 for example.

Small companies fight shy of corporate codes

Research by voting agency reveals serious breaches of Cadbury and Greenbury directives

Mr Ronald Pratt joined William Cook, the castings manufacturer, in 1949 and became a director in 1955. He now sits as one of two non-executive directors at the publicly quoted Sheffield-based company, the other being Mr Ian Porter.

Greenbury committee reports, the two main corporate governance rule books.

However, research carried out during the recent agm season by Manifest, the new proxy voting agency, shows that William Cook is not alone. Several smaller public companies are failing to comply with even the basic elements of the Cadbury and Greenbury committee reports.

At William Cook, Mr Pratt's long association with the company leads Manifest to doubt whether it complies with Cadbury's recommendation that the majority of non-executives on a board should be "independent of management".

Manifest also states that William Cook's failure to set up an audit committee is a "blatant breach" of the Cadbury code, and the fact that its remuneration committee consists of the entire board rather than just non-executive directors is a breach of the Greenbury code.

on institutional shareholders to ensure companies' compliance. However, investors have been more lenient with smaller public companies, which argue that costs prevent them from implementing all elements of the codes.

Mr Pratt and Mr Porter, unlike non-executives at most public companies, do not sit on William Cook's audit committee. "That is because the company does not have one. Nor does it have a separate remuneration committee to set executive directors' pay - the whole board takes the decisions."

The company's structure is such that it is committing serious breaches of the Cadbury and

Both the Cadbury and Greenbury reports, incorporated into the stock exchange rule book, called

Looking at forthcoming annual general meetings, Manifest also questions the independence of Sir John Fuller, a non-executive of Fuller Smith & Turner, the west London brewer, whose annual meeting is on August 16. Sir John has been a director of the company and is a "major shareholder", the annual report states.

Both the Cadbury and Greenbury reports, incorporated into the stock exchange rule book, called

William Lewis

UK NEWS DIGEST

Electricity rules tightened

The electricity regulator yesterday revealed plans to take sweeping new powers to ensure that electricity companies do not hold up the proposed liberalisation of the consumer market in 1998.

Professor Stephen Littlechild was reacting to claims that some power companies may deliberately be trying to delay arrangements for April 1998 in the hope of postponing the advent of full-blown competition.

He was also responding to criticism from electricity companies that he has so far failed to give the industry the necessary leadership in preparing for 1998.

Mr Littlechild's proposed measures are contained in the draft licences and codes for the industry which he published yesterday after weeks of consultation based on previous drafts published in April. Stefan Wastyl, London

ETHNIC MINORITIES

British society 'is diversifying'

If you were a 22-year-old woman of Bangladeshi origin living in Britain you would probably be married already, but if you were of Caribbean descent you would almost certainly not. Either way, the odds are you would both be gazing enviously from your council house at the family of Indian origin across the road doing up their newly purchased house.

If you were black, you should also consider putting an extra lock on the door before you leave because it would be twice as likely your residence would be burgled before you returned. Vehicle theft is less of a problem, because unlike most whites, and those of Asian and Chinese origin, you would probably not own a car.

The report, published yesterday by the Office of National Statistics makes clear that minorities are increasing not only in size but also diversity as Britain becomes a more integral part of British society. Britain currently has 3.2m inhabitants from ethnic minorities. Marks Suzman, London

RAIL PRIVATISATION

French set for second franchise

CGEA, a subsidiary of France's Compagnie Generale des Eaux conglomerate, is set to win its second franchise to operate a British train operating company after emerging as the preferred bidder for the South Eastern franchise.

South Eastern, which operates services to Kent, Surrey and Sussex from six large London stations, is one of the biggest operating companies to be franchised so far from the former state-owned British Rail and takes to nine the number of franchises awarded. South Eastern employs more than 4,000 staff and had passenger revenues of £215 million in 1994-95. The likely award gives CGEA two contiguous franchises serving London and the south-east, although the rules state that they must be run separately. Haig Simonian, London

TUBE STRIKE

'Capital's reputation damaged'

Yesterday's 24-hour Tube strike brought almost a total shutdown of the underground system and heavy traffic congestion to London.

With no sign of any progress in resolving the Tube dispute, Mr Brian Mawhinney, the Conservative party chairman, said the drivers were "trying to hold London to ransom" but he added they would not succeed. He warned they were also damaging London's reputation as an international finance, business and tourist centre. The next 24-hour stoppage on London Tubes is scheduled for next Tuesday, August 13.

Each day's disruption is estimated to be costing London Underground alone £2.5m (£3.9m). Robert Taylor, London

LONG-TERM CARE

Government plans 'alarmist'

A parliamentary committee yesterday dismissed talk of a crisis in long-term care funding as "alarmist" and attacked government proposals to develop partnership schemes in long-term care insurance for not being properly costed.

The findings are a blow to the government, which has announced plans to introduce insurance schemes allowing individuals to protect a portion of their assets if they take out insurance. Mark Suzman, London

GUERNSEY

Queen may be court defendant

Guernsey's Royal Court will decide on Friday whether Queen Elizabeth can become a defendant in an action brought by Britain's wealthiest twins, Mr David and Mr Frederick Barclay.

The brothers, former painters and decorators whose personal fortune is now estimated to be at least £600m, have just moved into their new home - a Gothic-style castle on the tiny Channel Island of Branganou. In a complex case concerning land ownership, the brothers are questioning the payment of feudal dues to the Queen for the purchase of the castle. Phillip Jeanne, Jersey

GAS

Progress on 'take-or-pay' dispute

The first signs of progress are appearing in the bitter, £40bn "take-or-pay" contract battle between British Gas and some of the largest North Sea oil and gas producers. One big producer yesterday characterised the latest round of talks as "encouraging," and said that contacts between the two sides were being stepped up. But he denied that a deal had already been done.

British Gas is thought to be particularly keen to complete deals with some of its main suppliers, such as British Petroleum and Shell. British Gas claims that the high-priced life of field contracts are a legacy of the monopoly era, and put it at a severe disadvantage in Britain's new competitive gas market. Robert Corzine, London

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Apocalypse... ARTS GUIDE... AMSTERDAM... BRIDGES... Various small advertisements and notices on the right margin.



Cinema

Apocalypse of the feelgood kind

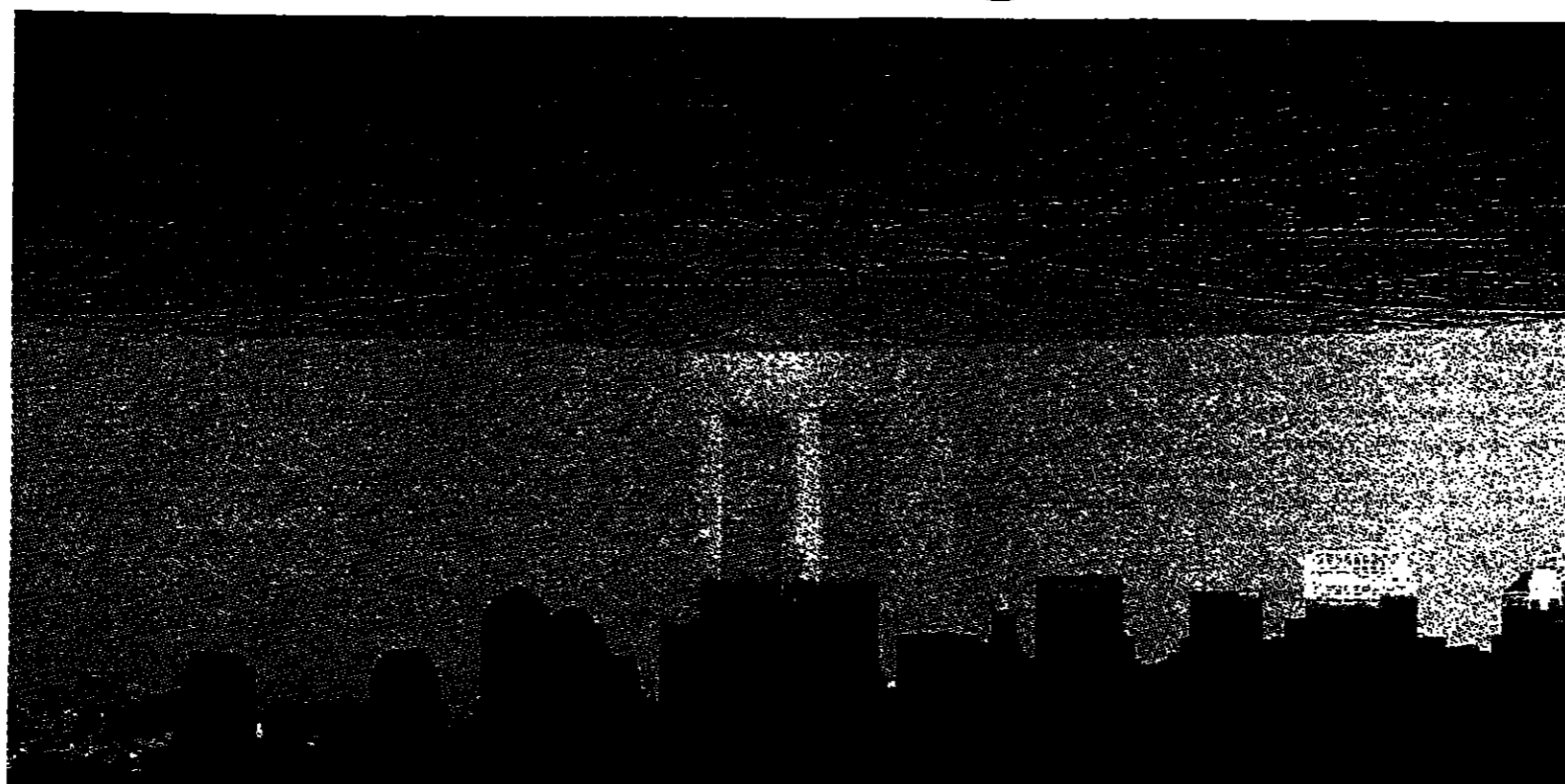
Before my eyes blurred over during the closing credits of Independence Day I counted roughly 100 visual effects craftsmen. Unrolling like the dead of two world wars, they are the unsung heroes of Hollywood's own newest world war, writes Nigel Andrews. This alien invasion blockbuster has swept across the US smashing records, threatening Jurassic Park (all-time number one) and causing us to ask in the year of Twister, Mission: Impossible and now this, "What exactly is the current mental age of western filmmakers?"

Do we really all like to be terrorised, tornadoed, blown up and blown away? The question may be naive, like asking us if we like rollercoasters. But Independence Day, as absurd as it is energetic and inventive, is the ne plus ultra of recreational catastrophes. In the opening minutes it moves its city-sized flying saucers across the known world, though only America's landmarks are dwelt on as they fall into shadow: the Hollywood sign, New York, the White House, in that order of importance.

Then it is all-out war between them and us, with global gung-ho being represented again exclusively by Americans in America. We have a manic computer boffin (Jeff Goldblum), a drunken crop duster (Randy Quaid), a black fighter pilot (Will Smith) and a President (Bill Pullman) who climbs into his own aircraft to do some last-reel zapping.

While London, Moscow and Bombay go down in sheets of unarmoured flame - at least we assume they go down, we barely see anything - the USA manages to disregard the world while behaving as if it represents it. Astonishingly we non-Americans go along with it. We don't care about London, Moscow or Bombay. We shudder to our depths as the Hollywood sign falls into darkness.

That all this is directed and co-written by a German is just another tribute to Hollywood as the omphalos of the world. Roland Emmerich brought kindergarten cunning to StarGate, which used paint-by-numbers computer graphics to bring us dream images of ancient Egypt and Outer Space. Half of Independence Day looks digitally painted as well, but it moves so fast that we cannot count, indeed barely



Terror over New York: 'Independence Day', the ne plus ultra of recreational catastrophes

INDEPENDENCE DAY Roland Emmerich

THE SECRET OF ROAN INISH John Sayles

AUGUST Anthony Hopkins

THE STUPIDS John Landis

notice, the dots and pixels. I counted 20 clear influences, from The War Of The Worlds to Alien, via The Thing, Invaders From Mars and The Day The Earth Caught Fire. But derivative-ness bothers us no more here than anything else. Independence Day is a fast-moving, feelgood apocalypse in which 1bn people die, roughly counted, and we hardly notice. This is partly because the good guys are doing such a heroic job against the bad. And partly because the age of computer-guided warfare has been passed from one Nato (North Atlantic Treaty Organisation) to another (National Association of Theatre Owners), so that for everyone now the simulation techniques of military rehearsal are indistinguishable from

the stimulation of actual conflict. In real life as in real life, war is a video game. The moralists will no doubt gird up their indignation for this latest chapter in the evolution of screen violence. But they had better hurry. The entire world will have seen Independence Day by the time they decide that it shouldn't.

Last week dolphins, this week seals. And Celts. If there's something the Great British Public likes better than amiable amphibians it's garrulous Gaels, writes Martin Hoyle.

Both seals and Celts emerge a trifle over-decoratively from the mists of The Secret of Roan Inish with an unabashed ferocity that would make J.M. Barrie blush. Like Mary Rose, Roan Inish is an island that likes to be visited, indeed wants to be inhabited, though John Sayles's 1994 film is set not in Scotland but post-war Ireland.

Little Fiona is sent from the grimy city back to the coast where her family were fisherfolk. Living with her grandparents, she steers herself in local legends. From slightly daft Tadgh (John Lynch, doing his intense, melancholy turn) she hears of the ancestor who married a selkie, half-woman, half-seal. She also

hears of her baby brother being swept out to sea in his boat-shaped cradle. And on the now deserted island where the family lived she sees him: a chubby, naked infant out of Mabel Lucy Atwell, playing with the seals and sailing off in his tiny craft.

The story is taken with gentle seriousness. Haskell Wexler's photography echoes the director's well-judged blend of the everyday (gutting fish, tarring boats, roof-thatching) with the element of mystery in the changing seascapes, vacillating between brumous and bright like the Celtic soul. The film's main weakness is that it presents an outsider's, a tourist's, view of Irishman fantasy. But then all fantasy is tourist country.

The film is beautifully acted. Eileen Colgan and Mick Lally are the grandparents, and the children are outstanding: Jeni Courtney and Richard Sheridan as Fiona and her cousin - a mixture of the practical and the fey, like the tale itself.

Sir Anthony Hopkins reverts to his Celtic roots for his debut as film director. Nothing fey about the plot of August: crumbling country estate kept going for absentee owner, a self-important academic, by slightly bibulous brother-in-law nearing

embittered middle-age and plain, pining daughter. Other characters include an idealistic local doctor and the academic's glamorous second wife... Yes, this is Uncle Vanya, Chekhov translated to Caernarvonshire.

Convincingly, too, with the boister and explosions of a nearby quarry providing reminders of the ruthless world outside. The film was shot on location, before a reversal of the usual process) a stage production with the same principals. It makes a handsome and distinguished, though I suspect some will say too theatrical, debut for Hopkins.

The film is unfailingly good to look at. Robin Vidgen's photography is as evocative when capturing dusty sunbeams slanting through cluttered interiors as in the perpetual teatime of the garden; but with a solid reality that transcends the self-conscious period picture-postcard feel of Merchant-Ivory.

Hopkins marshals his cast with a feeling for operatic ensemble: the fumbled shooting in the household into a panic is played for the laughs that usually get overlooked in Chekhov: a romping Rossini Act 1 finale. Moments of overlapping speech and calculated groupings aspire to

opera's gift for the simultaneous expression of different emotions. Not all of it comes off, but the film is engrossing.

Hopkins is leuan, less overblown than he can be on stage, restrained in his mixture of clowning and eruptive frustration. The cast rises to the Chekhovian challenge of thimble-anthologies. Especially notable is Gawn Grainger's doctor, resembling a better-nourished Robert Louis Stevenson, and newcomer Rhian Morgan, whose Welshness makes the plain Sian (Sonya), with her quiet resignation and sense of duty, touching and credible.

The Stupids is based on a comic strip and goes for the kids in a wham-bam Mad Magazine-for-six-year-olds sort of way. Tom Arnold is the shrunk-suited Panama-hatted paterfamilias whose quest for the arch-villain Sender (as in "return to...") cues a guest appearance from a strawberry-blond Christopher Lee, possibly the world's best-known Old Etonian.

The rest - including a wacky singalong on a TV personal problem show and illicit arms dealing - touches manic surrealism so often that after stony-faced disbelief you find yourself cackling incredulously.

Theatre/Alastair Macaulay Spontaneous fascination

In a production of Hedda Gabler where nothing is less than good, Harriet Walter's performance of the title role is more or less ideal. A fascinating actress, she expresses Hedda's self-destructing ironies and contradictions in myriad details. Arrogant/cowardly, artful/impulsive, irrepressible/guarded, conventional/faultless, theatrical/bored, grand/petty: oh, she is all of these, and more. Just see the bitter half-smile - gratified and frustrated in the same instant - that passes across her features as she hears that her husband Tesman's predicted inheritance of the local professorship will now have a challenger in the person of her ex-lover Lovborg. Just hear, when Mrs Elvsted asks "What do you really want, Hedda?", the pent-up hunger and the casual malice with which she replies, "The power to shape a human destiny".

fashion, nobody finds beauty or glory in her action. All of which, here, falls into place.

The strangest interpretation in the play is David Threlfall's muted, burnt-out Ellert Lovborg, but, like everything here, it works. Peter Blythe, replacing Roy Marsden, makes Judge Brack, surprisingly but tellingly, feline. Nicholas Le Prevost as Hedda's husband Tesman is almost John Cleese-like in his earnest and feckless ways. The warmhearted, tender, fretful solicitude that Phyllida Law brings to Aunt Julia is perfection; I love the anxious glance she gives to her own hat while talking to her nephew of something else. She in her way and Jenny Quayle's equally fine Mrs Elvsted in hers exemplify kinds of womanhood that Hedda rejects.

Isabella Bywater has not only designed a completely believable interior, she has also managed to make the oddest small points come off. You feel that Hedda's grand piano is out of place in this room before she says so. And as you see Mrs Elvsted's curly, bushy hair, you know at once why Hedda has longed to pluck it out.

The production employs a very free version of the Ibsen play by Helen Cooper. (Who, if memory serves, once acted in a fine chamber-scale Hedda at the Almeida in the early 1980s.) But, though she takes liberties and misses a few nuances, this text has the right freshness and transparency, so that the only feature of the characters' location that draws attention to itself is their abundance of metaphor.

Lindy Davies, directing, has elicited from the whole cast a very unusual spontaneity of contrasting dynamics (a spontaneity that is, fascinatingly, the precise opposite of what she elicited from her cast). Walter included, in last year's West End production of Pinter's Old Times, so that characters sometimes start to overlap as they speak lines. This is finely enough judged never to become irritating. Instead, it keeps making us believe that these characters really do know each other.

At the Minerva Studio Theatre, Chichester, until August 17.



Freshness: Harriet Walter and David Threlfall

The Proms/Richard Fairman

Sounds of authenticity

In the early years of the Proms, Monday night was Wagner night. How fashions change: in order to get a good audience on a Monday now, the Proms know that their best bet is an evening of early music on period instruments, preferably featuring one of the leaders of the authentic movement.

On Monday this week the Royal Albert Hall was packed to the rafters for William Christie and Les Arts Florissants, as it had been the week before for Trevor Pincock and the English Concert. It is just as now that the very popularity of "authentic" early music these days means that it is to be found in halls which are probably 10 times the size of any authentic 18th century venue.

In Christie's case, there was the added draw that the audience was saved a journey to Aix-en-Provence. A new production of Handel's Semele with his group was the main attraction at the festival there this summer, indeed the only opera to be seen (Aix, like some other regional festivals in France, suffered financial cutbacks this year). By bringing it in a concert performance to the Proms, Les Arts Florissants were able to play in front of the largest audience they can ever have had.

In the last six months, London has already had two Semeles - one fully staged at the Royal Opera House, the other in concert at the Lufthansa Festival - and this remarkably made a third. Each has had its own personality. Among the conductors, Mackerras at Covent Garden was inevitably the heaviest with a traditional orchestra; Ivor Bolton for Lufthansa was swift, light, strictly in tempo; Christie sought out elegant dance rhythms with a distinctly Gallic

It was interesting to hear an international cast in Handel instead of shuffling the regular British pack. The vibrant fast vibrato of Swedish mezzo Charlotta Hellekant's Ino, made a strange contrast with Michael Chance's plangent counter-tenor Athamas. Of the two basses, the German Reinhard Hagen was a stern Cadmus and Willard White a Somnus with a dry sense of humour. Janis Kelly laid the jokes on thickly as Iris; but the American mezzo Kathleen Kuhlmann

played the more obviously comic role of Juno without the pantomime dame overtones of the other two recent performers.

The leading pair rose to the occasion. Rosemary Joshua trilled and skipped athletically up to high Ds in Semele's music, mostly with pleasing brilliance. Timothy Robinson sang a fluent and lyrical "Where'er you walk". Their crucial Act 3 scene was performed in its entirety, showing Handel to be a more ambitious dramatist in this score than one might have suspected. For his part Christie may exaggerate tempos - the slow music at the end was hugely drawn out - but the death of Semele became quite moving. The large Proms audience was held in silence.

INTERNATIONAL ARTS GUIDE

AMSTERDAM

CONCERT Concertgebouw Tel: 31-20-5730573 ● Hae-Eun Kim and Maria Kulakowska: the cellist and pianist perform works by Boccherini and Crumb. Pianist Finghin Collins performs works by Rachmaninov, Field and Chopin; 8.30pm; Aug 9

COPENHAGEN

EXHIBITION Ny Carlsberg Glyptothek Tel: 45-33 41 81 41 ● Byzantium, Late Antique and Byzantine Art in Scandinavian Collections: this exhibition brings together more than 100 objects from Uppsala, Stockholm, Oslo, Helsinki, Copenhagen and Odense. The display includes late Roman imperial portraits, Coptic textiles and limestone reliefs, late Antique and Byzantine coins, pendants and manuscripts from the middle Byzantine period, and icons from the late Byzantine era; to Aug 31

LONDON

CONCERT St. Martin-in-the-Fields Church Tel: 44-171-930089 ● Baroque by Candlelight: The Belmont Ensemble of London

● The Fire of Hephaistos: Large Classical Bronzes from North American collections: the exhibition comprised of full figures and body parts concentrates upon large-scale Classical bronze statues. Executed in what is known to have been the most preferred medium for sculptors and patrons during the classical period, very few of these choice statues survive today. The display includes 52 large Greek and Roman bronzes and focuses both upon the links between ancient styles and techniques, and the new research methods that scholars are using today to study this ancient industry; to Aug 11

LOS ANGELES

EXHIBITION Barbican Art Gallery Tel: 44-171-6384141 ● Eve Arnold: In Retrospect/Derek Jarman: A Portrait: two exhibitions shown at the same time. Eve Arnold: In Retrospect covers the life's work to date of photographer Eve Arnold, who for more than four decades has served as witness through camera and words to many of the major figures and events of the latter half of the 20th century. The display includes over 200 photographs. Derek Jarman: A Portrait considers the diversity and impact of Jarman's career as an artist, film-maker, stage designer, writer, gardener and influential figure in gay politics. The exhibition features over 200 works including paintings, theatre designs, photographs, writing and his Super 8 films; to Aug 18 Design Museum Tel: 44-171-3788055 ● Treasures of Fabergé: exhibition of 40 perfume flasks by the workshops of Fabergé, Imperial jeweller to the Russian court, from the collection of Maurice F. Mizzi. Approximately half the perfume bottles are made of gold, silver and translucent enamel, the other half are gems set in gold; to Aug 11

NEW YORK

EXHIBITION Guggenheim Museum SoHo Tel: 1-212-423-3840 ● Mediascape: the Guggenheim Museum SoHo reopens to the public with this exhibition devoted to multimedia and interactive art. It features 14 works by 10 artists, including Marie-Jo Lafontaine, Bruce Nauman, Nam June Paik and Bill Viola; to Sep 15 The Metropolitan Museum of Art Tel: 1-212-879-5500 ● Modern Glass as Art: this exhibition, selected from the Metropolitan's collection of 20th-century architecture and design, explores glass as a medium for contemporary art and includes works made by a variety of techniques manipulating the glass through blowing, casting, etching, frameworking, and stained glass; to Oct 6

PARIS

EXHIBITION Centre Georges Pompidou Tel: 33-1-44 78 12 33 ● James Coleman: this exhibition shows installations of this Irish artist, and is a part of the cycle "L'Imaginaire irlandais" that takes place in Paris from May until September; to Nov 18

SALZBURG

EXHIBITION Rupertinum - Salzburger

with conductor Peter Gilbert-Dyson perform works by Mozart, J.S. Bach, Vivaldi and Handel; 7.30pm; Aug 10

SAN FRANCISCO

EXHIBITION SFMOMA - Museum of Modern Art Tel: 1-415-357-4000 ● Glenn Ligon: New Work: in this exhibition the African American artist shows two new series of works in tandem. A group of self-portraits as discrete canvases and pictures taken from the Million Man March in Washington last autumn create an encompassing screen of images; to Aug 25

SHAKESPEARE

Directed by Adrian Noble and performed by the Royal Shakespeare Company. The cast includes Christopher Benjamin, Susan Brown, Julian Glover and Michael Gould; 7.15pm; Aug 9, 10 (also 2pm)

MUSICAL

Ahmanson Theatre Tel: 1-213-972-0700 ● Carousel: by Rodgers and Hammerstein. Directed by Nicholas Hytner and choreographed by Kenneth MacMillan. The cast includes Sherry D. Boone, Sarah Ullrich, Kate Buckley, Patrick Wilson, Joseph Ricci and William Metzgo;

Tue-Sat 8pm, Sun 2pm, Thu, Sat also 2pm; to Aug 25 (Not Mon)

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17.30 Financial Times Business Tonight

CNBC: 08.30 Squawk Box

10.00 European Money Wheel

18.00 Financial Times Business Tonight

Landesammlungen Tel: 43-662-80422336 ● Louise Bourgeois. Sculpturen und Objekte: exhibition devoted to the French-born American sculptor Louise Bourgeois. The display gives an overview of her work between 1946 and 1992 and features between 15 and 20 objects; to Oct 27

OPERA

Grosses Festspielhaus Tel: 43-662-80450 ● Fidelio: by Beethoven. Conducted by Sir George Solti and performed by the Wiener Philharmoniker. Soloists include Peter Mattei, Tom Fox, Ben Heppner, Cheryl Studer, René Pape, Ruth Ziesak and Roberto Sacca. Part of the Salzburger Festspiele; 5.30pm; Aug 10

SAN FRANCISCO

EXHIBITION SFMOMA - Museum of Modern Art Tel: 1-415-357-4000 ● Glenn Ligon: New Work: in this exhibition the African American artist shows two new series of works in tandem. A group of self-portraits as discrete canvases and pictures taken from the Million Man March in Washington last autumn create an encompassing screen of images; to Aug 25

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COMMENT & ANALYSIS



Peter Martin

# Good relationship guide

Companies working to establish lasting rapport with their customers beyond simple transactions need to follow basic rules which reinforce quality

Mature marketing executives, successful but dissatisfied, seek attractive consumer, footloose and fancy free. Object: lasting relationship.

You won't find this message in the lonely hearts column of your local free-sheet, but it's hard to miss it pretty much everywhere else. From baked beans to supermarkets to airlines, consumer-oriented companies have devoted much of the past decade to "relationship marketing", the attempt to build links with their customers which extend beyond simple transactions.

Some of these efforts - especially the earliest airline frequent flyer clubs - have been stunningly successful. Others have added more to costs than they have to revenues. What all these mature marketing executives hope for is the magic ingredient that distinguishes real commitment from just, well, fooling around.

As soon as a company moves its product beyond the commodity stage, of course, it has taken the first step towards building a relationship with its customers. Quality, value, attentive service - all these are traditional ways of encouraging repeat business. And the whole point of branding - ever since Bass first slapped a triangle on its bottles to create the UK's first registered trademark - has been to build lasting trust in the consumer's mind.

What's different now? Just as Stalin defined communism as socialism plus electrification, so relationship marketing is brand-building plus computerised databases. Not only do your customers trust you, but you know who they are and where they live. Straight away, you can lower the costs of advertising and increase its effectiveness. But there's more: you can offer them promotions tailored to their past buying

patterns. And, most effective of all, you can redesign the product or service you offer to reward loyalty, as supermarket chains such as Tesco in Britain and Carrefour in France have shown.

But has the fad gone too far? Companies rarely admit to all-out failure in relationship marketing, and once started such schemes are hard to cancel. The rush of hard-to-loyalty schemes - among US telecoms operators, international airlines, or British supermarket chains - suggests, however, that some companies are paying out more to build relationships than they will ever get back in sales.

Companies thinking of trying to establish relationships need to bear in mind some simple rules.

● **Raise consumers' cost of switching.** Relationship marketing is not just about giving consumers a warm glow about your company and products. It has a more cold-blooded rationale: to make it harder for customers to choose freely between suppliers. Frequent flyer clubs achieve this aim because the miles awarded are not transferable. Passengers are unwilling to switch

their preferred airlines if that means sacrificing unused miles. Similarly, pharmaceutical wholesalers lock in drugstore customers by providing valuable computer software. The cost of adapting to new software discourages the customers from switching.

A well-designed relationship marketing programme will seek to raise consumers' switching costs. And there's an extra bonus: any warm and fuzzy feelings the programme induces serve to camouflage the limitations on consumer choice that these higher switching costs impose.

● **Emphasise service.** It's not surprising that the most successful relationship programmes are in service businesses. Services tend, by nature, to be less "transactional" than manufactured goods. And many services require detailed knowledge by the provider of the circumstances of the customer. But even service businesses can improve the personalisation of their offerings; and suppliers of manufactured goods can add a service component, for example by guiding customers through a complex

product range. The UK subsidiary of Helix is seeking to build lasting relationships with baked beans consumers, by offering them a quarterly magazine and tailored promotions.

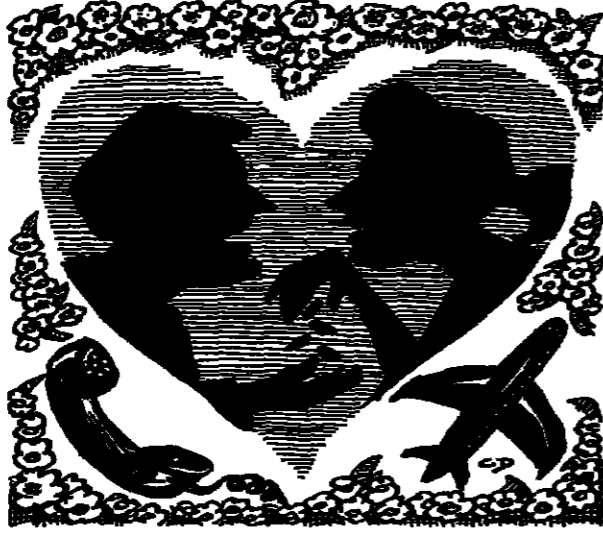
One category of manufactured goods producers, computer makers, has found that service-based relationships have turned into transactions as their products have become more reliable and standardised. IBM built much of its success - even when its main line of business was tabulating machines, not computers - on exemplary service for complex, finicky machinery. Now that computers are reliable, off-the-shelf products, it is much easier for customers to choose on price. The more reliable a product, curiously, the lower the relationship potential.

● **Don't confuse loyalty, necessity and bribery.** This point is made by James Rosenfield, a marketing consultant based in San Diego, California. Companies may think they have loyal customers, when really they have resentful captives - or mercenaries. If there is no hope of building true loyalty, then there is little point in trying, expensively, to reinforce it. It would be better to reinforce barriers to entry against rivals (for example, by lowering costs). Similarly, as Mr Rosenfield puts it, relationship programmes that rely heavily on incentives risk "substituting rewards for satisfaction."

Dissatisfied customers will soon find someone else to bribe them. By the way, dissatisfaction is almost guaranteed if the benefits you promise to loyal customers can't be provided. Getting the marketing database to work smoothly with the operations database is often the key to success with loyalty programmes - yet it is also one of the hardest things to achieve.

● **Remember: you can't escape.** Once you have created a relationship marketing programme, it's very hard to back out of it without alienating the people who are, by definition, your most valuable customers. Even relatively small scale changes - such as the expiry dates for unused miles that US airlines introduced, or British Airways' higher miles starting to its frequent-flyer club - risk ill-will. How much more damage would be caused, therefore, by a decision to close a programme altogether? So far, there are few signs of companies taking such a drastic step. But Mr Rosenfield, the marketing consultant, believes that some poorly thought-out schemes are heading for collapse under the weight of high costs and poor results. This will present companies with a difficult choice: to soldier on with programmes that are not working; or to close them down.

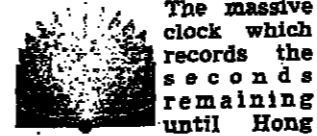
These are practical questions that affect the design and operations of loyalty schemes. But there is also a bigger question in the background, one intimately familiar to any student of human nature. "In every relationship," as the saying goes, "there is one who loves and one who is loved." Companies may believe they have a relationship with their customers, but the relationship may be very different. They may not be actively seeking to move away from their usual suppliers, but they may not have any real commitment to them. The companies that have managed to make relationship marketing work usually had a head-start: strong brand images, a product with a strong service component, a long-standing emphasis on customer satisfaction. Relationship marketing can reinforce such qualities. It cannot be a substitute for them.



## HONG KONG - CHINA'S CHALLENGE: by Michael Yahuda

Routledge, 150pp, £37.50 (hardback) £11.50 (paperback)

# China's countdown to the midnight hour



The massive clock which records the seconds remaining until Hong Kong reverts to China has become a familiar landmark in Beijing's Tiananmen Square since it was installed at the height of the controversy over the democracy proposals of Hong Kong governor Chris Patten in 1994.

Most visitors probably think of its remorseless flashing as a warning to Hong Kong of its inexorable fate, but, according to Michael Yahuda, the clock is ticking for China too.

The handover constitutes an awesome and ill-timed challenge to the mainland, he argues. It comes as China struggles to shed its authoritarian and inward-looking continental traditions and become a liberal, outward-looking maritime nation. Hong Kong encapsulates the tensions involved, and very well prepared to deal with them. The territory's business people who rather glibly assume that Chinese money politics will see them all right after 1997 should read this book carefully.

force being used to recover Taiwan.

A flourishing Hong Kong could pose problems of a different sort. Its mere example would make it a subversive force, undermining the authority of the Communist party at home. Hong Kong would become an attractive example to mainlanders wishing to emulate its way of life, its local autonomy and freedom under the law.

Beijing wants to make the transition succeed, Yahuda suggests, but the odds are stacked against it. The handover negotiations have been dogged by misunderstandings and bickering since the Tiananmen Square massacre in 1989.

"What happens if the judges get it wrong?" asked one Chinese official in the midst of the debate over the territory's court of final appeal. By tradition, China's rulers have never left really important decisions in the hands of independent judges. Yet without the clear rule of law which such judges provide, Hong Kong could scarcely flourish.

Part of the problem is that there has been no major bureaucracy at the heart of China's government concerned with Hong Kong's affairs, and no institutionalised route through which Hong Kong matters can be brought to the attention of senior leaders.

That may change after 1997. The new Hong Kong chief executive, Yahuda assumes, will have a senior political adviser, appointed by Beijing, who will have access to the very top.

But there are risks. The Basic Law, which will in effect be Hong Kong's constitution after 1997, is vaguely worded and will allow central government considerable control over Hong Kong's internal affairs.

A fundamental misconception in the business community is that China's basic

interest is to guarantee continuity in Hong Kong because of its great economic importance. Mindful of the chaos following the collapse of the communist Soviet Union, the Chinese authorities have developed an emphasis on sovereignty and national unification which overrides the business argument, Yahuda says.

China will monitor Hong Kong closely to ensure that its understanding of sovereignty is not breached. It is unlikely to leave well alone. That leads to China's plan to abolish the Legislative Council elected under Mr Patten's reforms and bar some democrats from political office, despite their popularity.

Such a draconian step is scarcely compatible with the rule of law. The more the provisional LegCo appointed by China differs from that elected in 1995, the less legitimacy it will have. China must have a system that is seen to be legitimate if the rule of law is to have credibility.

"The key to avoiding a dangerous, not to say catastrophic, constitutional crisis towards the end of the transitional period may well be whether an accommodation can be reached between the Democratic Party and the Chinese authorities," Yahuda concludes.

The pressures of the approaching deadline with all its implications for China as a whole might well prompt such a reconciliation, he suggests. In that case, there are real reasons to be optimistic about the future of Hong Kong.

It is hard to disagree with the analysis. But the prescription looks bold indeed.

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## LETTERS TO THE EDITOR

Number One, Southway Bridge, London, SW11 2JH

### A good move by Dole on tax

From Mr Gregory M. Davis, Sir, I was dismayed by your editorial re Bob Dole's tax plan ("Doleful plan for US taxes", August 5). You rightfully criticise the present political atmosphere as disgracefully negligent in its unwillingness to confront burgeoning entitlements. However, your comment that the 1996 "supply-side experiment" was "disastrous" belies your otherwise impressive wisdom.

There is no question the 1980s saw record deficits, but

it is the greatest fiction of the modern press that this was the result of President Reagan's tax cuts. In fact, federal tax revenues grew by 24 per cent from 1982 to 1993, in contrast to the roughly 16 per cent increase in the seven years since 1990. Reagan's failure lay in his neglect of entitlement programmes which grew at unprecedented speeds. In short, since 1980, two tax increases have been legislated, federal revenues have declined as a portion of gross

domestic product, and economic growth has slowed. Any plan to reduce the deficit cannot succeed without sustained growth and an overhaul of entitlement spending. Government policy cannot ensure a healthy economy, but it can give one a chance. Dole's proposal is a small step in the right direction.

Gregory M. Davis, National Review, 150 East 85th Street, New York, NY 10016, US

### Allow Serbs vote in Mostar elections

From Mr Alexander P. Vucelic, Sir, Your otherwise fine series of stories on the Mostar elections distort the situation by omitting critical information. About 24,000 Serbs were expelled from Mostar at the beginning of the war. A few thousand vanished in that exodus, but that is another story.

There are 17,000 Serbian survivors who would like to return to their city, Mostar. These Serbs were not allowed to vote in the June 30 Mostar elections. The perfunctory offer of a few buses to bring 500 refugee voters in from Serbia for the day humiliated moderate Serbs who wish to support the

peaceful evolution of Bosnia. The elections in Mostar are flawed, not because the Croats refuse to recognise a Muslim majority on the city council. They are flawed because these elections validate the expulsion of Mostar's Serbian population and deny upwards of 20 per cent of it the right to vote.

In the upcoming Bosnian statewide elections, a similar distortion of the voting rolls is taking place with sanction by the great powers. Refugees residing in Croatia, Europe, and north America are encouraged to cast absentee ballots on September 14. Yet, the 560,000 Bosnian-Serb refugees residing in Yugoslavia are not

allowed to vote. While not mentioned in the FT, this fact is well known in eastern Europe. Denial of Serbian refugees the right to vote discredits the peace process and encourages nationalists. Approval of this denial by the great powers undermines their moral authority.

The great powers should encourage moderates to come forward in the peace process. How can Serbian moderates come forward to support the elections when their population is denied the right to vote?

Alexander P. Vucelic, 64 Lakeview Road, South Salem, NY 10590, US

### Economic plant and levy answer to tyre recycling problem

From Mr Herbert Beven, Sir, I was fascinated to read the articles by Andrew Baxter and Chris Tighe on your Business and the Environment page ("Wheels turned into reverse", July 24). There are to our knowledge about 200 ideas that only need a few million pounds, dollars or something to get them to solve the tyre problem and make their investors instant millionaires.

I have to tell them it isn't quite like that. You get a good idea. You put about £2m of your own and your colleague's money into the project. You find an organisation with experts in all the

chemical and mechanical disciplines required, in our case the Atomic Energy Authority. Then you spend five or six years on the necessary research and development of a full-size plant.

At that point you are again told by the doubters and talkers that recycling tyres can NOT be economic. What is economic? I would ask somebody what waste is "economically" disposed of. Domestic waste is not, hospital waste is not, toxic waste is not. Why should tyres be any different?

In all these cases the public pays the bills in some way or another. Our recycling equipment is truly eco-

nomical with a very small disposal fee.

A recycling levy on a tyre when the new one is purchased would solve the problems. Many other European countries are already doing this. The technologies for effective disposal are available, including ours. The outlets are in existence and in a number of cases the Environment Agency authorisations to run the plants are in place.

I suspect that now is the time to stop talking and act before the European Union or a high-profile tyre fire impose an unsatisfactory solution on the UK. We are concentrating our

### Diet factor in sporting prowess

From Dr James Witchalls, Sir, The UK's poor performance at Atlanta is rightly being questioned. A lack of investment in excellent sporting facilities and support for our young athletes is obvious and needs correcting. But there is more to it than that.

Our French cousins are reaping the fruits of such investment but they also thrive on a quality of diet unusual in Britain. This fact must surely contribute to the strength and vitality of their budding athletes.

Chips, burgers, soft drinks and a tonnage of confectionery second to none in the world may be the stuff of champion couch potatoes but not athletes! By all means provide better facilities but this alone will not suffice. We must also do better in ensuring a higher quality of diet for our children than at present. Cultivating health has always been more fruitful than treating symptoms of disease.

James Witchalls, Maddox Farm, Little Bookham Street, Little Bookham, Surrey KT23 3BU, UK

FINANCIAL TIMES August 8

A message from Ma

Handling

Clarke's

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FINANCIAL TIMES

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Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700  
Thursday August 8 1996

# A message from Mars

Confirmation that life once existed on Mars would be the culmination of a 450-year voyage of imagination and discovery. It was started by a Polish-born priest, Nicolaus Copernicus, carried forward by courageous thinkers such as Galileo and Darwin, and has irreversibly changed man's perception of his place in the world.

Copernicus's theory, published after his death in 1543, seemed repugnant and implausible to many scholars at the time. For he demoted the earth from the centre of the universe to the rank of a mere planet circling a fireball. Nearly a century later, Galileo was persecuted by the church for expounding this theory. But Galileo's experiments under house arrest helped to establish beyond doubt that he was right and the Inquisition wrong.

In recent years speculation has reached out far beyond the solar system, to galaxies and clusters of galaxies, each consisting of billions of suns and planets - many millions of planets inhabited by creatures such as ourselves. Charles Darwin and his followers showed that life could have evolved by chance and natural selection from a soup of simple chemicals into the godlike form of man. But did it? Until recently, this question seemed destined to remain one of the great mysteries of nature; for however

strong the theory, one cannot travel back in time to observe life actually emerging.

However, if the fossilised cell found on a meteorite in Antarctica really did come from Mars, as is now believed, this would be powerful corroboration that life has evolved elsewhere in the universe. Unmanned space probes planned this year may find conclusive evidence one way or the other. Laboratory experiments on earth have already shown that the primitive constituents of life can form spontaneously from chemicals. Advances in microbiology have proved that the simplest organisms can be far more robust than was once thought, thriving in salt, sulphurous gases and scalding temperatures. Microbes can also live for years in extremes of heat.

Moreover, this year the existence of planets round distant stars has been confirmed by observation for the first time. We may never touch or see green slime on a distant earth, but we can use radio telescopes to tune into their broadcasts. Ridiculous? The US Congress thought so three years ago when it stopped the funding for such a project. But scientists increasingly believe that there is life out there and that some of it is intelligent. It is surely worth the price of a millennial celebration - or a nuclear submarine - to find out.

# Handling Iran

In the argument between western allies over how to handle states accused of sponsoring terrorism, there is a serious risk of diplomatic wires getting crossed to nobody's benefit. US legislation that would penalise non-US countries that engage in energy deals with Iran or Libya is causing political and trade tensions. More fundamentally, the allies are again at odds over whether those states are demonstrably engaged in exporting terrorism.

It is important that the issues are kept distinct as far as possible. The legislation, coming after the Helms-Burton law to penalise trading with Cuba, has exacerbated longstanding fears about "extra-territoriality" the use of US law to regulate other countries' behaviour. European governments are right to object, and to prepare robust retaliation to protect their companies' legal interests.

Whether they are also right to play the issue down, in the hope that President Bill Clinton will use his discretion to implement the new laws leniently is more questionable. On the contrary, there is a real danger that in this election year, the administration may find its hand forced by public outrage over the (as yet unexplained) TWA airliner crash. US politicians, in any case, are less concerned with the legal niceties than with a feeling that America's allies

tend to put selfish mercantile interests ahead of international security.

The US and its allies must now work harder to understand each other's positions. At the core of the European case is the fact that US assertions about Iran's role in terrorism remain unproven. While there is little doubt that Iran, Libya and other countries have settled domestic scores through violence in western capitals, Washington has yet to demonstrate that either Tehran or Tripoli is at present engaged in a campaign of state terror against other countries. The Europeans also maintain their "critical dialogue" with Iran, benefits all sides, including the US and Israel, by keeping communications open.

US officials, meanwhile, are baulking at disclosing secrets about Iran to partners which are themselves in friendly contact with that country. But this gap should not be unbridgeable. The allies could fend off the charge of faint-heartedness by stating that they would approve concerted action against any country proven to sponsor terrorism. And Washington should back its case against "rogue states" by presenting its evidence as openly as possible.

The US has more to gain from working with its allies against the terrorist threat than from punishing them with unacceptable legislation.

# Clarke's test

Mr Kenneth Clarke has always said he wanted to prove that prudence can be popular. After more than three years as UK chancellor, many have started to think that he actually believes this. His policies have not been a model of economic probity. But nor have they been deeply irresponsible - an achievement, given the political pressures on Mr Clarke to repeat the boom and bust mistakes of the 1980s.

The job, however, gets harder from now on. That is the main message of the Bank of England's latest quarterly inflation report. It is also the message of recent economic data and the unexpectedly poor state of the public finances. If the government's recovery in the polls continues, Mr Clarke will doubtless claim that his strategy has been vindicated. But autumn will provide a much bigger test of his convictions.

On unchanged interest rates, the Bank is even more doubtful than it was in May that the government will meet its inflation target of 2½ per cent or less in two years' time. The main reason for the greater pessimism is Mr Clarke himself, who overruled Mr Eddie George, the governor of the Bank, when he cut base rates by a further quarter of a percentage point in June. The Bank thought the cut was unnecessary then and, to judge by the report, it believes the same thing today.

how it now thinks Mr Clarke should proceed. Given his previous advice, the governor ought, logically, to have recommended a rise in interest rates at last month's monetary meeting. The signs are, however, that he merely restated his disapproval of the June cut, deferring a real showdown with the chancellor until the autumn.

This fudge will be another disappointment to those who were hoping that the Bank's greater visibility within the new monetary policy framework would make it more apolitical. But the reality is that Mr George has decided to save his firepower for the battles he can plausibly win. He has a strong case in resisting any further interest rate cuts.

Growth in consumer spending has been accelerating since the start of the year, and looks set to continue. Likewise most see the stagnant manufacturing sector recovering quite smartly in the coming months. Yet, while it is plausible to expect a recovery in export markets, and to expect producers to raise output, neither has happened yet. The uncertainty means that Mr Clarke can probably defer a decision on higher interest rates until the autumn, but not much beyond then. As he well knows, he might not have to raise interest rates significantly if he opted to raise taxes in the Budget. His party colleagues will want to avoid taking either medicine; a prudent chancellor cannot let them.



Now and then: the energetic Boris Yeltsin of six years ago (right) is now an exhausted leader after the gruelling election campaign (left)

# Tall order for a tired man

Russia's president will need all his powers of recuperation to push on with political and economic reform, says John Thornhill

Following Boris Yeltsin's resounding re-election as Russian president last month, some of the country's finest poets turned their minds to composing a celebratory ode for tomorrow's inauguration ceremony in the Kremlin.

It has not been easy. Critics panned the official version glorifying the president of a "great and majestic" Russia carrying "the light of freedom to the world". Even one of the president's aides complained about such "monstrous bombast" and the whole idea has since been quietly dropped.

The poets' mental block has perhaps been caused by the difficulty they - and all other Russians - have in deciding whether Mr Yeltsin's inauguration marks the start of a more hopeful chapter in the country's history, or is merely the inconclusive epilogue of its recent, painful past. Capturing the mood of a nation grown weary of the present and still wary of the future is poor material for heroic odes.

As Mr Igor Kon, a Russian sociologist, recently wrote: "Under Soviet rule, Russia is the most hypocritical country in the world. Now, it is the most cynical." Mr Yeltsin's actions since being re-elected on July 3 have hardly inspired confidence that the president is capable of carrying the "light of freedom", let alone pressing ahead with economic reform.

For the past month, the 65-year-old Mr Yeltsin has been secluded in a suburban sanatorium, appearing only rarely and briefly on television. His aides concede the president is still suffering from "colossal tiredness" following the election campaign.

out his four-year term. His early death would spark a fierce struggle for the succession and pre-empt further political instability.

But the president has shown remarkable powers of recuperation before, and he may yet steel himself once again for the political fight after a prolonged rest. As the French president Francois Mitterrand proved, sick men dragged on the stimulant of power and a sense of their importance in history can endure far longer than the actuaries would suggest.

The president's closest aides insist Mr Yeltsin is still in "wonderful intellectual form" and is determined to win his place in history as a great reforming leader, alongside the 18th-century Tsar Peter the Great who dragged Russia screaming into the modern world.

They claim Mr Yeltsin's competitive nationalist instincts were fired by a trip to China this spring when he saw how far that country was forging ahead of Russia in building a modern economy and attracting billions of dollars of foreign investment.

Mr Yeltsin has a mission to restore Russia to the ranks of the world's great powers. But when Mr Yeltsin returned to the Kremlin on Tuesday to prepare for his inauguration he was immediately faced with an in-tray stuffed with more mundane and seemingly intractable challenges.

The most alarming was the latest eruption of fighting in the southern breakaway region of Chechnya which threatens completely to overshadow the inauguration ceremony. A shaky ceasefire agreement, signed in the Kremlin before the elections, was blown apart this week as separatist fighters launched a ferocious assault on the regional capital of Grozny, killing dozens of federal troops and civilians.

Unless Mr Yeltsin is prepared to countenance a humiliating withdrawal, it is not easy to see

how the conflict can be quickly resolved.

Continued fighting in Chechnya will not only be a recurring nightmare for Russia's shambolic army. It is also likely to have profound political repercussions: it will alienate liberals who reluctantly backed Mr Yeltsin in the presidential elections and antagonise foreign governments on whom Russia is still dependent for financial support.

The slaughter of young conscripts will again become an emotive rallying cry for the communist opposition, which still holds sway in Russia's parliament despite its defeat in the presidential elections. The communists retain the power to block the formation of a new government and frustrate much of Mr Yeltsin's legislative agenda.

Since the elections, Mr Yeltsin has adopted a conciliatory approach towards the communists, hinting that he may include some of their representatives in his new administration. But the communists are trying to regroup their forces in a more broadly-based National Patriotic Union and may not be willing to co-operate. At its founding congress yesterday, the leaders of the union seemed set on adopting a confrontational stance.

Mr Yeltsin's team can ill afford to get drawn into a legislative quagmire in parliament given the decisive steps they need to take to stabilise the volatile economy. To avoid a budgetary crisis later this year, the government must move fast to increase federal tax revenues. They reached only 63 per cent of their targeted level in the first six months of the year.

At the same time, there will be great demands on Mr Yeltsin to deliver on many of his lavish pre-election spending promises. Russia's coalminers are already threatening a national strike,

demanding that their delayed wages be paid in full. And many troubled Russian banks are pleading to be bailed out.

Hard-pressed regional governors are also likely to scream for more cash before they are forced to contest important regional elections this winter. The International Monetary Fund, which is backing Russia's economic reform programme, has already indicated its concern about the budgetary situation by delaying the disbursement of last month's tranche of a \$10.2bn (\$8.6bn) loan. Russia's fledgling capital markets are also suffering some post-election nerves, further complicating the government's financing options.

In order to push his team forward to address these problems, Mr Yeltsin will have to demonstrate considerable vigour. He will need all his legendary cunning to keep his ambitious subordinates - and potential successors - under control.

Mr Victor Chernomyrdin, who is likely to be confirmed as prime minister soon after the presidential inauguration, has barely concealed his antagonism towards Mr Alexander Lebed, the former general and presidential candidate recently appointed as secretary of the influential Security Council.

The danger is that the two men will spend more time scrapping with each other than directing their energies towards a common goal, especially if Mr Yeltsin fades from the scene.

These problems may appear daunting to an old and ailing man, but Mr Yeltsin can draw comfort from the knowledge that he has been through far worse.

The economy may still be in a fragile state but many of the big battles have already been waged and won. The government has privatised swathes of state-owned industry and largely liberalised its foreign trade regime. Under the central bank's rigorous guidance, the monthly inflation rate

has been cut to just 0.7 per cent in July and the rouble has been held steady.

As long as that firm monetary grip is maintained, Russia could soon enter a virtuous circle of falling interest rates, increased investment, and the first real economic growth this decade. An expanding economy would considerably ease the social strains that are still racking Russia.

In a sign that he is serious about pursuing a reformist agenda, the president has already appointed Mr Anatoly Chubais as head of his presidential administration, which helps both to devise and to supervise government policy.

One of the main architects of Russia's economic reforms and a skilled administrator, Mr Chubais could play a critical role in driving through needed changes.

Mr Yeltsin also appears to be forming a government of mainly reformist hue having already purged his entourage of his most reactionary elements before the second round of the presidential elections. These ministers may not share the "market romanticism" of early economic reformers but they could prove all the more pragmatic for their lack of idealism.

When he emerges in the Kremlin for his inauguration, Mr Yeltsin may reflect on the events of a century ago when the young Nicholas Romanov was crowned Russia's last tsar in a glittering ceremony in 1896.

The early years of Nicholas II's reign were filled with promise as the economy grew strongly and the country made halting steps towards establishing a less authoritarian political regime. But all was destroyed in ill-conceived wars which ultimately sparked the communist revolution. Russia's modern-day tsar will want to be remembered for his political and economic reforms, rather than see his achievements tarnished on the battlefields of Chechnya.

# OBSERVER

## Bounced Czechs

A row over money has taken some of the fizz out of the Olympic spirit among members of the Czech team of athletes who won 10 medals between them in Atlanta - four gold, three silver and four bronze.

Athletes were promised before the Games that they would receive Kcs800,000 for every gold medal won, Kcs350,000 for silver and Kcs250,000 for bronze. Their unexpectedly high medal haul landed the Czech Olympic Committee with a bill for Kcs4.6bn.

But canoeist Martin Doktor, who won two golds, has been told by an embarrassed COC that he will get only Kcs300,000 for his second medal. The committee doesn't have enough money to give everybody their full prizes, according to a spokesman, because sponsors failed to come up with all the money they promised. Comparisons have been made with the largesse bestowed upon the Czech football squad after it reached the final of Euro 96. The footballers got Kcs1.5m each for their efforts.

Newspapers are clamouring for Doktor, who says getting to the Games cost him Kcs450,000, to be given his due. The daily Mlada Boleslav pointed out

how the communist-era squads were all treated with scrupulous even-handedness, in the spirit of socialist brotherhood.

## Chinese puzzle

The fluency of "green" campaigners can often be halted by one question: what should be done about China? Pressure groups are often torn between wanting China to curb its burgeoning pollution, and hesitating at putting obstacles in the path to prosperity for some of earth's poorest people.

Greenpeace Business, a newsletter from the environmental group, exemplifies this dilemma. "The Greenpeace goal is that the people of China would share the benefits of a clean environment without forfeiting necessary development and attainment of decent standards of living for their people."

And how will this be done - particularly on the energy front? The newsletter, which has been controversial within Greenpeace for recommending "dialogue" with big business, is equivocal.

On the one hand, it talks of chatting with local Chinese officials about the production of "ozone-friendly" fridges. Fine - most Chinese do not have a fridge, but if people are going to buy one, no bad thing if it is

ozone friendly. It is a shame that Greenpeace does not tell us whether their preferred brand costs any more.

On the other hand Greenpeace, fresh from its triumph in preventing Shell scuttling the Brent Spar oil platform at sea, is of course reluctant to surrender its favourite role of David against Goliath. In the same article, it duly recounts the tale of how 70 Chinese soldiers boarded a Greenpeace ship protesting against nuclear testing.

For all the discussions and roundtables, the suspicion is that green organisations will continue to find their power base depends on confrontation rather than consensus.

## Indi-ah

If you marry the half sister of Jemima Goldsmith, Sir Jimmy's daughter, you can't really expect to avoid the attentions of the gossips.

So Francis Pike, who works in India for Hong Kong-based investment bank Peregrine Securities, no doubt takes a sanguine view of his cameo role in the August issue of British Vogue.

The focus of the article is his spouse, Indi-Jane Birley, an artist who chats with Jemima regularly to "compare notes on the dramatic changes that their

husbands have brought to their lives". The pair live in a "light airy" flat in downtown Bombay that sounds awfully *comme il faut*. "In the cooler season they sit on the veranda to eat breakfasts of papaya and breadfruit and crispy American bacon, to talk and entertain or play backgammon."

While Indi-Jane was engaging in "several lengthy love affairs" after her first marriage had ended, "Francis was busy making his fortune in Asia". One wonders what his Hong Kong bosses will make of the next sentence about his describing himself as a "financial speculator". There are few parts of the world where it is wise to label oneself thus. Even in Bombay's increasingly heady climate, it may raise a few eyebrows.

## Minority interests

It seems, from yesterday's government report on ethnic minorities in Britain, that the country's future cricket success lies in the hands of its Pakistani and Bangladeshi communities. Men from these ethnic groups are three times as likely to play cricket as those from any other. The only leisure activity pursued with passion by everyone is TV. Also, synchronised watching is not yet an Olympic sport.

## Financial Times

### 100 years ago

**Chili Telephone**  
The ordinary general meeting of the Chili Telephone Company was held yesterday in the City of London under the presidency of Mr George Keith, chairman of directors. The chairman said the business of the company had made considerable progress in the past year. The gross revenues had increased over 11 per cent on the previous year, and the number of subscribers had increased by 287. On the other hand, the general expenses showed a marked reduction. The net profit for the year was £8,551 as against £6,012 in the previous year. It was proposed to pay a dividend of 4 per cent per annum.

### 50 years ago

**Five Directors Resign**  
Col. Allan A. Magee, the president, and four other directors of Barclays Bank (Canada) have resigned from the Board because of "a difference of opinion with the parent institution in England" on financial policy. It is understood that the crisis arose over the granting of a loan to one of Canada's largest industrialists for the purpose of expanding his business. As a result of the refusal, the industrialist transferred his account to another bank, which granted him a loan.

صكزامن الاصل

**LEGAL DEFINITIONS**  
 Infringe: 1. Infringe is to break a law or a right. 2. To infringe is to break a law or a right. See *Howe & New* (ph 0171-248 4282)

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# FINANCIAL TIMES

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On-board electronics will access the Internet

## IBM, Mercedes in deal to develop car systems

By John Griffiths

International Business Machines, the world's largest computer group, and Mercedes-Benz of Germany are collaborating to develop vehicle electronics networks that will manage mechanical functions and provide access to the Internet.

The companies said the integrated electronics for trucks and cars would use network computing concepts to access the Internet, satellite navigation systems, traffic and other data to be provided by future "intelligent" information highways and even e-mail and fax transfers.

The same electronics networks would simultaneously be capable of controlling engine functions, transmission, lighting and most other operations within the vehicle. Mercedes-Benz said yesterday.

The collaboration takes IBM into in-vehicle computing systems for the first time. It has previously worked closely

with Mercedes on vehicle manufacturing systems. The partners claim that the electronics networks will lead to significant time and cost savings in the design, development and production of new cars by using standardised hardware which would not require changing through successive model generations.

Although existing automotive electronics can perform these tasks individually or in groups, the IBM-Mercedes partnership will create an integrated control system, comprising modules with standardised interfaces that can be configured quickly and cheaply for a broad spread of applications.

"As a result Mercedes-Benz will not have to develop a new electronic systems for each new automotive model. Instead, we shall be able to reuse components from model to model, reducing costs and speeding the design and manufacturing process", said a spokesman. Although Mercedes-Benz will be the initial beneficiary of the project, both the German car maker and IBM expect the systems to be widely adopted by other vehicle makers.

es-Benz will be the initial beneficiary of the project, both the German car maker and IBM expect the systems to be widely adopted by other vehicle makers.

The collaboration, the first involving automotive components between the two groups, has been under discussion for months, with agreement reached at a meeting between Mr Helmut Werner, Mercedes' chairman, and Mr Louis Gerstner, IBM's chairman and chief executive, during the Olympic Games in Atlanta.

Existing component suppliers to both companies - including Robert Bosch and Siemens in the case of Mercedes-Benz - are expected to be involved with the development programme. The first cars featuring the jointly developed technology are unlikely to appear until early in the next century. The project will be based in southern Germany, where both Mercedes and IBM have research and development facilities.

## Brazil plans to bail out debt-laden state banks

By Jonathan Wheatley in São Paulo

Brazil yesterday unveiled a plan to restructure the country's debt-burdened state banks in a move seen as part of an assault on mounting public sector debt.

The initiative, in the form of a presidential decree, could end an impasse over the future of Banepas, the São Paulo state bank, which has advanced about \$18bn in now doubtful loans to the state government. Its controlling shareholder, other state-controlled banks have had loans of up to \$3bn each.

The decree allows the federal Treasury to provide funds to help Brazil's 27 state governments privatise their banks, or liquidate them, transform them into development agencies or merge them with other banks. It also allows the Treasury to take over debts owed by state governments to their banks and, in some cases, provide other

financing to save the banks from closure.

Mr Pedro Malan, finance minister, said the move would eliminate "a source of pressure" on the country's finances by reducing the presence of state governments in the banking industry.

A finance ministry spokesman said it was not possible to estimate how much money the Treasury would spend on the programme as this would depend on individual requests for assistance from state governments. The Treasury would finance the programme by issuing bonds and passing the funds raised to state governments; the cost of the programme would be limited to capitalisation costs. The ministry stressed that while the new measures would increase the level of federal debt, they would cut total public debt by helping to end past practices by which state governments borrowed indiscriminately from their banks. The banks were often used

by their controllers to finance lavish public spending programmes. Their financial problems increased with the introduction of a stable currency in July 1994, which cut easy earnings from high inflation.

Mr Malan said the initiative was part of wider efforts to cut public debt by privatising state assets. Several state governments have begun privatising management of highways and other services - São Paulo state is preparing to sell electricity assets worth an estimated \$20bn.

São Paulo reached an agreement with the finance ministry last year under which the federal Treasury would assume half its debt with Banepas in exchange for assets including railways and airports. Since the agreement was reached, however, unpaid interest has increased the state's debt from \$15bn to \$18bn.

Mexico counts the cost of sell-offs, Page 15

## Germany in barbecue campaign to lure beef defectors

By Judy Dempsey in Bonn

German farmers will today resort to a new tactic in attempts to convince the country's consumers that beef is safe - holding barbecues.

At 50 parties, farmers will bring their own produce to be barbecued, and local people, for a "nominal" fee, will be encouraged to talk about meat and savour the steaks.

The campaign will open in the north German resort of St Peter-Ording in Schleswig-Holstein, near Husum, where farmers last week burned the UK flag in protest against the continuing controversy over BSE, or mad cow disease.

The get-togethers, each to cost about DM5,000 (\$3,378), are being organised by Germany's Farmers' Association (DBV) and the Central Marketing Board of the agricultural industry (CMA). They are reacting to the sharp fall in beef consumption - highlighted again yesterday by the release of a study by the respected Allenbacher opinion poll institute.

It found more than half the population had changed eating habits since March when the BSE crisis began, with 15 per cent of Germans refusing to eat beef and 38 per cent eating far less.

More worrying is that women, who tend to make the shopping and cooking choices, have deserted beef in greater numbers than men. More than 58 per cent of women have changed their eating habits compared with 47 per cent of men, and 47 per cent of women refuse to eat beef compared with 18 per cent of men.

"The Germans want to know where the beef is coming from," said Mr Bernhard Lütke Entrop, a DBV spokesman. "Maybe when they see it is locally produced, they will be convinced German beef is not only safe but also delicious."

Since March, beef farmers have been receiving between DM900 and DM300 less than before for each animal slaughtered; they hope an increase in consumer demand will lead to a recovery in prices. "We really are hoping this will be one of the ways to win back the consumer," said Mr Manfred Hauser of the CMA.

### THE LEX COLUMN

## Stet's wrong number

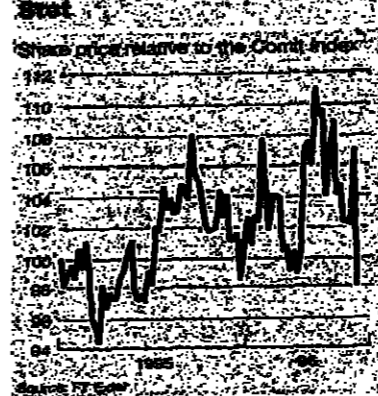
The good news is that the Italian government has ended years of procrastination over selling its Stet stake. The bad news is that it has wasted the opportunity to alter the telecoms group's convoluted structure before the sale. No wonder Stet's shares fell 4 per cent yesterday. After all, the government did not even mention the possibility of merging Stet with its Telecom Italia subsidiary, which would have stripped out substantial costs and reduced Stet's 35 per cent discount to net asset value.

Still, the impudence of the government's proposals was hardly surprising. And at least, by setting a timetable for selling Stet's publishing business, the government should be able to create sufficient momentum to overcome resistance to throwing out other peripheral assets such as telecoms manufacturing before selling the state's 64 per cent stake. This will undoubtedly create shareholder value - a highly desirable precedent.

However, probably the greatest concern for potential investors in next year's £1.6,000bn (\$10bn) Stet share sale, is the government's intention to form a nuncio duo, or hard core of shareholders, for Stet. This rekindles memories of the Banca Commerciale Italiana and Credito Italiano privatisations. Milanese merchant bank Mediobanca and its allies took control of both banks and minority shareholders have had a horrible ride ever since. And guess what? Mediobanca happens to be a key adviser on the Stet sale.

### FT-SE Eurotrack 200:

1701.9 (-8.4)



Warning that, although it will keep its cost-income ratio falling, it plans to spend more money expanding its business. In mature banking markets like the UK, such a single-minded investor focus on cost-cutting is justified. But Standard's situation is fundamentally different: it enjoys a remarkable franchise in fast-growing markets. Frankly, if new investment can yield anything like Standard's current 28 per cent post-tax return on equity, the more it invests the better.

GKN  
 Two years ago sluggish automotive markets would have stopped GKN in its tracks. But the timely purchase of Westland, the helicopter maker, and the rapid development of its Chp pallet hire business have transformed the group. As a result, first-half earnings grew 14 per cent at a time when car production was flat in Europe and falling in the US.

Prospects look promising. Deliveries of armoured cars and helicopters will accelerate in the second half and Westland has a \$4bn order book stretching to 2008, even excluding lucrative support work. Chp is growing at 15-20 per cent a year and faces no serious competition. There is a huge opportunity to expand geographically and into new products such as plastic crates which could replace cardboard boxes and polystyrene packaging. Even the automotive division has potential in the US to improve margins - probably half the 9 per cent the group manages in Europe - and to move into areas such as pressings and fabrications. Those opportunities, particularly capital-intensive

### Standard Chartered

Standard Chartered's recovery has been spectacular, in 18 months the shares have outperformed the market by more than 100 per cent. And there was nothing in yesterday's interim results to suggest this is overdone; a trumping 31 per cent increase in trading profits is respectable by any standards. Why, then, did the shares fall 2 per cent?

Dozens of profit-taking is one reason. But if investors want to take profits, it is partly because they take too little Englander a view of this stock. Compared with UK banks - with which Standard has nothing other than an address in common - a price/earnings multiple of 12 times this year's earnings may look racy. But by the standards of Asian banks it is anything but. Moreover, UK investors seem to have been unimpressed by Standard's

Chep, will swallow a good part of GKN's £282m of net funds. But, given strong cash generation, the group will have the firepower to take part in any restructuring of the European defence industry or buy out Brambles, its joint venture partner in Chp, if the opportunity arises. The shares stand at a slight price/earnings premium to the market average, having doubled in the past two years. Today's less cyclical GKN can easily sustain such a rating.

### UK inflation

Here is an intriguing fact: according to the Bank of England, inflation expectations implied by three-, five- and 10-year gilt prices have fallen since the chancellor controversially cut interest rates in June. Still, Mr Kenneth Clarke would be unwise to conclude that investors share his cheerful confidence that inflation is under control. Rather the debate has moved on. Few doubt that this chancellor is playing politics with the economy; the real question is how decisively the next government will move to clear up the mess. And if gilts are anything to go by, investors' scepticism on this score is gradually diminishing.

Even so, it would be unwise to underestimate the scale of the task the next government will face. It could still be the best part of a year until the next election - plenty of time for the current boomlet in domestic demand to gather pace. And whatever the Bank may hope, the odds must be on further loosening of both fiscal and monetary policy in the meantime. While the Bank is doubtless right, therefore, that a small precautionary interest rate rise now would be a good idea, its warning that a bigger rise will otherwise be needed later is more to the point. So is its well-founded worry that fiscal policy will have to be tightened too.

Of course, if the argument between the chancellor and the Bank boiled down to a matter of a quarter-point on rates, it would not matter too much. The real debate - whether the current objective of policy should be to stoke up or to cool off the strength of consumer demand - is more fundamental. Worse, the friction looks set to grow, either because the chancellor cuts rates or taxes further, or because evidence of a boomlet blossoms. For gilts, such growing tension looks an unnerving prospect.

## France proposes substantial cuts in public spending

Continued from Page 1

August holiday, during which confidential objectives were set for expenditure levels in each of the different ministries for 1997. More detailed information on the budget will be circulated during September.

The Matignon said that, in spite of the cuts, the government was committed to ensuring that priority would remain on areas of spending that helped employment, the most disadvantaged and a restructuring of the education, defence and justice systems.

Mr Alain Lamassoure, the budget minister and government spokesman, said the reductions would entail a reduction of 6,500-7,000 public sector workers, largely through not replacing those who retired. The prospects of such cuts

have raised fears that social unrest could be triggered in the autumn, notably in the school and university system which is likely to be hit. The socialist opposition said the new budget would hurt growth and increase unemployment.

**FT WEATHER GUIDE**

**Europe today**  
 Sunny periods are expected in the Benelux, France and northern Spain. Rain is likely near a frontal zone from southern Scandinavia to Austria. Switzerland will be rather cloudy. Spain will be sunny although there will be some showers in the north. Italy, Greece and Turkey will have a lot of sun but showers are likely in the Balkans. Showers will occur around the British Isles. Scandinavia will be partly cloudy. Scandinavia will be fair with abundant sun over Norway and some cloud over Sweden and Finland.

**Five-day forecast**  
 More cloud and rain will approach the British Isles and western Europe. This band of rain will move east towards Poland during the weekend. High pressure over Scandinavia will expand towards Russia. Southern Europe and northern Africa will stay sunny.

**TODAY'S TEMPERATURES**

Location	Temp	Location	Temp	Location	Temp	Location	Temp
Madrid	sun 32	Casaca	sun 31	Faro	sun 28	Madrid	sun 33
Beijing	sun 15	Cardiff	rain 18	Frankfurt	sun 24	Manila	sun 30
Calcutta	sun 43	Belgrade	sun 24	Geneva	sun 25	Malta	sun 28
Acoza	sun 29	Berlin	sun 24	Casablanca	sun 25	Manchester	cloudy 20
Algiers	sun 31	Buenos Aires	sun 24	Chicago	sun 28	Gibraltar	sun 30
Amsterdam	sun 21	Bogota	showers 26	Cologne	sun 22	Guangzhou	cloudy 19
Athens	sun 33	Bombay	rain 19	Dallas	sun 31	Hamburg	rain 23
Atlanta	showers 32	Brussels	sun 22	Dhaka	showers 33	Harbin	sun 22
B. Aires	sun 11	Sussex	cloudy 23	Dubai	sun 42	Helsinki	sun 25
B.ham	cloudy 21	Chengde	sun 21	Dublin	rain 19	Istanbul	sun 28
Bangkok	showers 33	Cairo	sun 35	Dubrovnik	rain 29	Jakarta	sun 32
Barcelona	sun 27	Cape Town	sun 19	Edinburgh	cloudy 18	Jersey	sun 18
						Karachi	sun 32
						Kuala Lumpur	sun 31
						L. Angeles	sun 29
						Las Palmas	sun 27
						Lima	sun 20
						Lisbon	sun 25
						London	cloudy 22
						Luxembourg	sun 22
						Maceta	sun 25
						Moscow	sun 29
						Mumbai	sun 33
						Nairobi	sun 27
						Naples	sun 31
						Nassau	sun 32
						New York	sun 30
						Nice	sun 27
						Nicosia	sun 36
						Oslo	sun 22
						Paris	sun 22
						Perth	sun 26
						Prague	rain 22
						Rangoon	rain 29
						Riyadh	sun 31
						Rio	sun 25
						Rome	sun 24
						S. Paulo	sun 24
						Seoul	sun 32
						Singapore	showers 32
						Stockholm	sun 22
						Switzerland	sun 25
						Sydney	sun 18
						Taipei	sun 26
						Tel Aviv	sun 33
						Tokyo	sun 25
						Toronto	sun 29
						Vanouver	sun 22
						Verona	sun 26
						Warsaw	sun 20
						Washington	sun 31
						Wellington	sun 12
						Winnipeg	sun 22
						Zurich	sun 23

Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands.

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<b>No. 1</b> Building and Construction	<b>No. 1</b> Sector Team and Individual Analyst	<b>No. 1</b> Overall Quality, Qualitative Assessment	<b>No. 1</b> Quality of Execution, Top Sales Traders	
<b>The REUTERS Survey 1996</b> <b>No. 1</b> Overall Research	<b>The REUTERS Survey 1996</b> <b>No. 1</b> Sector Team	<b>The REUTERS Survey 1996</b> <b>No. 1</b> Broker Execution		

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FINANCIAL TIMES COMPANIES & MARKETS Thursday August 8 1996

Daromo Pick up the phone... not more expensive!

IN BRIEF Christiania falls at operating level

First-half operating profits fell sharply to Nkr1.1bn (\$173m) from Nkr1.82bn at Christiania Bank, Norway's second largest banking group...

Stora upbeat despite falling profits Stora, the Swedish forestry products group, held out the prospect of an end to the slump in the sector...

YPF beats forecasts in second quarter Higher crude oil prices and an improved performance by its Mexico subsidiary helped YPF, Argentina's hydrocarbons group, achieve better than expected second-quarter profits...

CU considers E Europe expansion Commercial Union, the UK composite insurer, is considering expansion into Russia and the Czech Republic as part of a strategy of reducing its reliance on an increasingly tough UK market...

Eurotherm reinstates ousted chief Eurotherm, the UK industrial controls manufacturer, bowed to pressure from institutional shareholders by reinstating Mr Class Hultman...

Companies in this issue: AMP Society, AP-Rad, Abbey National, Adidas, Alcoa, Arcadia, BHP, Banerjee, Benetton, British Coal, British Gas, OGEA, Cathay Pacific, Christiania Bank, Chrysler, Coca-Cola Amatil, Colly Farms, Columbia/HCA, Commercial Union, De Rigo, Dresdner Bank, EBF, Eurotherm, Farway Resources, Fiat, Ford, Fuller Smith & Turner, GKN, GM, Goodman Fielder, Hays, Honda, Hoogovens

Market Statistics: FT-SE 100, FT-SE 250, FT-SE 1000, FT-SE 10000, FT-SE 100000, FT-SE 1000000

Chief price changes yesterday: FT-SE 100, FT-SE 250, FT-SE 1000, FT-SE 10000, FT-SE 100000, FT-SE 1000000

Dresdner rises 44% in first half

German bank lifted by securities arm and first-time contribution from Kleinwort Benson

Dresdner Bank of Germany raised operating profits 44 per cent to DM1.42bn (\$666m) in the first half of 1996 with the help of buoyant securities business and a strong first-time contribution from Kleinwort Benson...

about German banking mergers, he said it was hard to imagine takeovers by the country's big banks. Allianz, the insurer which owns about 20 per cent of both Dresdner and the smaller Bayerische Hypotheken- und Wechsel-Bank...

Net interest income rose 8 per cent to DM3.4bn, with commission profits 46 per cent higher at DM1.9bn, helped by strong securities and mutual fund business. The integration of Kleinwort Benson accounted for more than half the commission increase.

Mr Sarrazin said Kleinwort Benson's first-half operating profits were about the same as in the whole of 1995. Its pre-tax return on equity was 20 per cent, the same as that of the whole Dresdner Bank group, against 14.4 per cent in the first half of last year.

from dealings in securities, DM66m from foreign exchange and precious metals and DM190m from derivatives. The Kleinwort Benson acquisition also pushed up costs by 16 per cent to DM4bn, without this, they rose 2.6 per cent. Staff costs rose 0.6 per cent. Mr Sarrazin said Dresdner had reduced domestic branch employment by 11 per cent since the end of 1995.

Standard Chartered surpasses forecasts

Standard Chartered, the London-based international bank, capped a season of glittering bank interim results yesterday with a stronger than expected increase in pre-tax profits to \$448m (\$694m) in the six months to June 30, up from \$358m a year earlier.

For the last five years Standard Chartered has been the object of almost constant bid speculation, and its strong network in the fast-growing Asia-Pacific region still makes it an attractive potential target.

But in spite of a 13p drop yesterday to 69p, its soaring share price has put it out of reach for all but the most ambitious bidder. Standard Chartered officials, determined to remain independent, note that even with no takeover premium to today's share price, anyone buying their bank would have to write off more than \$5bn of goodwill.

Excluding exceptional gains, including a profit on the sale of its private banking business to Swiss Bank Corporation, Standard Chartered's trading profits rose 31 per cent to \$402m. The group's net revenue increased 15 per cent, as total lending advanced 15 per cent and the average interest margin widened from 8.3 per cent to 8.5 per cent.

Operating expenses rose by less than 4 per cent to \$382m. As a result, the ratio of costs to income fell to 54.7 per cent from 60.7 per cent. Mr Malcolm Williamson, Standard Chartered's chief executive, said the group wanted to bring that ratio down even further, even while investing in continued expansion. "A 55 per cent ratio is unacceptable going forward. A sub-50 ratio has to be a medium term strategic imperative."

Cathay Pacific lifted by shake-up

By John Ridding in Hong Kong

Cathay Pacific Airways, the Hong Kong-based carrier, yesterday announced net profits of HK\$1.65bn (US\$214m) for the first six months of the year - a rise of 67 per cent over the 1995 performance, with results lifted by a HK\$341m exceptional gain.

Stripping out the exceptional item, the figures revealed a relatively modest rise of 12.5 per cent. The airline cited adverse currency rates and higher fuel costs as constraining factors, but predicted a stronger performance in the second half of the year.

The exceptional profit was the result of restructuring in Hong Kong's aviation sector. The complex reorganisation saw Cathay sell a 12 per cent stake in Dragonair to CNAAC, the commercial arm of the Singapore aviation regulator. Cathay-controlled Swire group reduced its holding in Cathay from 32.5 per cent to 24 per cent. CNAAC, the Hong Kong arm of China's leading investment company, bought a 12 per cent stake in Dragonair from Cathay.

Adidas weighs in with 56% leap



Field day: shot put gold medal winner Astrid Kumbernuss from Germany (left) and women's 200m Olympic champion Marie-Jose Perec (far right) of France, two of the 6,000 athletes Adidas says wore its clothing in Atlanta

Adidas yesterday reported a 56.3 per cent increase in pre-tax profits to DM296m (\$167m) for the first half of the year, underlining the German sports goods manufacturer's robust recovery from its financial difficulties in the early 1990s. The profits, up from DM160m a year earlier, came in ahead of market expectations and reflect the recovery in the company's US operations and strong growth in the high margin textiles business.

However, Adidas's share price fell yesterday on profit taking, ending 30 pfennigs lower at DM124.80. At this level, the shares are trading at almost twice the price offered to shareholders when the company was floated in the autumn of last year. Net sales during the period increased 28.3 per cent from DM1.75bn to DM2.24bn. In the second quarter, Adidas increased turnover 39.5 per cent to DM1.05bn and pre-tax profits 25.7 per cent to DM78m.

The strongest sales growth in the second quarter occurred in North America, where Adidas reported sales of DM257m, an increase of 46 per cent, after overcoming difficulties in its US distribution. Adidas said the profitability increase was influenced by strong sales growth in clothes and running shoes.

Mr Robert Louis-Dreyfus, chairman, said the results confirmed "the momentum of the brand which was further reinforced by our dominance in soccer at Euro 96, the Atlanta Olympic Games and other major competitions". Adidas claimed 6,000 athletes, including 200 medalists, had worn its outfits at the Olympic Games. Mr Louis-Dreyfus said that Adidas's main marketing drive in the second half would focus on the expansion of a new sports shoe design into categories including basketball. Net income in the first half rose 40.4 per cent to DM164m. Net earnings per share increased from DM2.89 to DM4.06. Mr Louis-Dreyfus said the company's mid-year order level was 24 per cent higher than in 1995. He said the company was aiming to increase pre-tax profit margins, now 11.1 per cent, to 13 per cent by the end of 1998. Europe remains Adidas's main market, accounting for sales of DM1.52bn, an increase of 31.9 per cent, with particularly strong performances coming from the UK, Sweden, Norway and Spain. North American sales were DM483m, up 17.8 per cent in the six months.

UK engineering group hints at acquisition drive

By Tim Burt in London

The incoming chief executive of GKN, one of Britain's largest engineering groups, yesterday hinted at a more aggressive acquisition strategy following strong growth in the company's cash performance. Mr CK Chow, headhunted earlier this year from BOC, the industrial gases company, suggested that GKN's balance sheet was strong enough to sustain a heavier investment programme at the automotive components, industrial services and defence equipment group.

Peter Sutch: good performance given prevailing conditions

By Peter Sutch in London

The April reshuffle has reduced uncertainty in Hong Kong's aviation sector ahead of next year's handover to China. However, some analysts believe that Dragonair, the ambitious regional carrier, may ultimately emerge as a rival to Cathay. Mr Peter Sutch, Cathay Pacific's chairman, said the figures represented a good performance given prevailing market conditions. The weakness of the year reduced passenger yields, particularly in north-east Asia, while passenger load factors in south-east Asia were reduced by excess capacity and increased competition. Elsewhere, passenger yields improved.

Overall, turnover in the first six months climbed 7 per cent to HK\$15.22bn. Earnings per share rose to 56.2 cents, from 34.3 cents in the corresponding period. Excluding exceptional gains, earnings per share rose 9.9 per cent to 37.7 cents. The interim dividend was raised by 4.5 per cent to 11.5 cents. Industry analysts described the results as largely in line with forecasts.

UK engineering group hints at acquisition drive

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Mr Chow does not officially become chief executive until January, when Sir David Lees becomes non-executive chairman. The Hong Kong-born executive yesterday praised Sir David's record at GKN, which he said had become more focused and better managed under his stewardship. "There is one thing we could change - we are now in a stronger position to grow both organically and by acquisition." The company is thought to be considering acquisitions in the defence industry to bolster its interests in helicopter and armoured vehicle production. After deducting advance payments for such defence equipment, the group's cash pile rose from £233m at the end of last year to £262m, while operating cash flow jumped from £126m to £141m.

Chopard GENEVE watches advertisement with images of watches and text: The timeless lines of mechanical perfection - Our tradition since 1860

COMPANIES AND FINANCE: EUROPE

Write-backs distort Christiania result

By Hugh Carnegie in Stockholm

Profits at Christiania Bank, Norway's second-largest banking group, fell sharply in the first half, but the result was distorted by the continued after-effects of the loan-loss crisis of the early 1990s. Underlying earnings were significantly stronger, buoyed by the robust Norwegian economy.

state - said operating profits in the first half fell from NKr1.82bn at the same stage last year to NKr1.11bn (\$173m). The fall was caused by a drop in the level of gains achieved by writing back provisions against loan losses. Net gains from write-backs after provisions for new loan losses totalled NKr106m in the first half, compared with NKr965m in the same period last year.

which has also produced big gains in the last year for other Norwegian banks - was not sustainable. The markets had fully expected the write-backs to diminish and Christiania shares lost only NKr0.10 to NKr16.30. Profits before write-backs rose, meanwhile, from NKr855m last time to NKr978m in the first half in the second quarter, profits before write-backs increased from NKr401m to NKr490m.

Net interest income rose in the first half from NKr1.88bn to NKr1.7bn, while non-interest income was up from NKr684m to NKr768m. On the cost side, Christiania said non-interest expenses rose from NKr1.46bn to NKr1.49bn. But the ratio of costs to income, excluding gains/losses on securities, fell in the second quarter from 85 per cent to 82 per cent.

Although net write-backs in the second quarter tumbled from NKr681m to NKr47m, some analysts expressed surprise at how long the trend of write-back gains was continuing. The second quarter was the sixth in succession which had produced net write-backs after a period of deep loan losses.

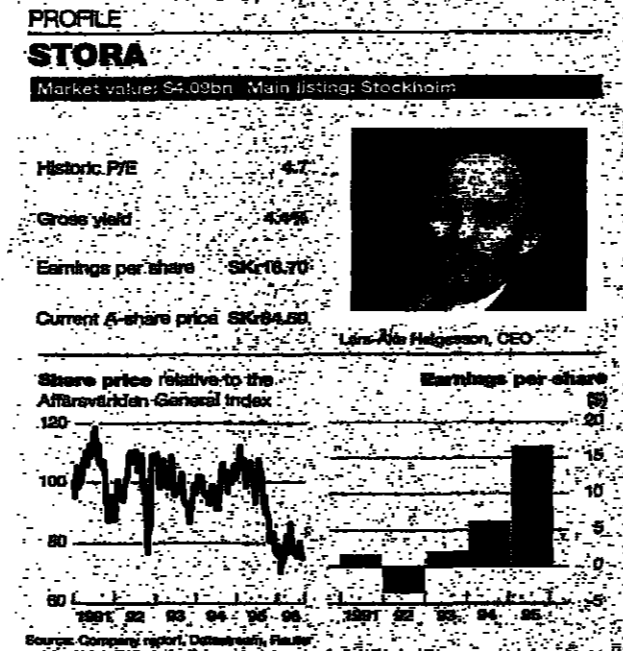
Stora shrugs off 60% fall and sees signs of upturn

By Greg Melvor in Stockholm

Stora, one of Europe's leading forestry products groups, yesterday held out the prospect of an end to the downturn in the sector, saying that orders were increasing again and prices for most paper grades had reached bottom.

about 40 per cent of profits and had its price cut by 5 per cent in the UK recently. "Things look better across almost all our product lines. We believe that inventory rundowns have been completed," Mr Helgesson said.

noted towards the end of the half. It said price rises in pulp would help lift prices of fine paper and, ultimately, of LWC. Mr Mads Asprem, paper and packaging analyst at Morgan Stanley in London, said: "The fact that LWC prices have flattened is a very good sign because we thought they still might be falling."



Printing paper sales fell from SKr7.5bn to SKr7.4bn amid pricing pressures and production cutbacks in LWC, but operating profits rose from SKr1.1bn to SKr1.5bn. Fine paper sales fell from SKr5.5bn to SKr3.8bn, pushing operating profits from SKr1.2bn to SKr1.0bn. Board and packaging-paper sales dropped from SKr5.6bn to SKr4.7bn, on sales of SKr603m, against SKr1.1bn.

Iri takes first step in privatisation of Stet

By Robert Graham in Rome

Iri, the Italian state holding company, yesterday set in motion the process to permit Stet, the telecoms group which it controls 62 per cent, to hive off Stet, its lucrative yellow pages business.

The first part of the privatisation process, agreed by the government and discussed yesterday by the Iri board, is the splitting off of Stet. At present Stet, with sales of L1.795bn (\$1.18bn) in 1995 and employing 2,000 people, is merely a division of Iri. It will thus require an extraordinary shareholders' meeting of Iri in September to endorse the break-up. Although Stet's contribution to Iri's 1995 profit of L1.459bn has not been fully revealed, it is understood to have been close to a quarter.

Analysis said the removal of Stet could raise L3,000bn but its loss would be keenly felt by Stet. Last night the treasury was preparing a letter of instruction for Iri laying down precise guidelines for the Stet privatisation. These start from the premise that the state will retain a golden share and that there will be a core of stable shareholders. For a year Stet has been holding talks with IBM, the US computer giant, on a various forms of alliance. The Italian telecoms group has

also begun looking at the prospects of bringing in Cable and Wireless of the UK as a shareholder. The instructions are also expected to stress that the core telephone business Telecom Italia (cable) and TIM (mobile) will be kept together, and will set out whether or not the various quoted companies within Stet will merge. The treasury must also spell out the timing and options available for the split off of other non-core businesses. Lex, Page 12

NOTICE OF PAYMENT to Holders of OLYMPIA & YORK EURO CREDITCO LIMITED 11 1/2% Debentures Due November 2, 1992. Includes contact information for Bank of Montreal, Bankers Trust Luxembourg S.A., and Credit Suisse.

Nestlé's portfolio of possibilities

Many peripheral businesses could be worth more to other owners

Like the attic of a thrifty Swiss burger, Nestlé's huge product portfolio is crammed with possessions. But the generation moving into leadership are showing no signs of wanting to shed more peripheral businesses.



Helmut Maucher: guided Nestlé through large acquisitions

yoghurt brand and chilled distribution. But yogurt became increasingly a commodity business, so Nestlé shifted into higher value chilled deserts and bio-tech enhanced yogurt, while moving products from the Chambourcy to Nestlé brand.

Admittedly, Nestlé sold its wine business last year for an undisclosed sum. But what British vinegar, German pork and Italian crispbread have to do with Nestlé's core products of coffee, confectionery, mineral water, milk, ice cream and pet foods is a mystery to many analysts and investors. Just five products account for 35 per cent of Nestlé's European sales, 10 for 50 per cent and 18 for 75 per cent, according to an analysis by Goldman Sachs. Thereafter, the portfolio tails off through more than 30 other products making up the final 25 per cent.

Mr Helmut Maucher, Nestlé chairman who hands over as chief executive to Mr Peter Brabeck next June, said in a recent interview: "We always distinguish between where we are investing and do not have an adequate return yet, and where there is no hope." The second category accounts for about 5 per cent of sales, some SF33bn, he said. Processed meat is the only large category which Nestlé identifies as one it would consider selling. It contributed operating profits of SF755m on sales of SF1.1bn in 1995, Mr Amoroso estimates. If these meats, with an operating profit margin of 5.5 per cent, had not been in the portfolio, group margin would have risen from 9.7 per cent to 9.8 per cent last year.

About 80 per cent of the meat business is in Herta, a German-based business. Nestlé likes part of the business, such as its higher margin products and chilled distribution chain, but would consider offers for the upstream primary processing and simpler processed meats, such as sausages and salami. Nestlé has signalled its willingness to sell its meats, but the only offer to date is for Vismara, an Italian producer of ham and other meats, Mr Maucher said. The most likely buyer of the meat businesses is Sara Lee, of the US. It has tar-

getted European processed meats as a strategic imperative and has been acquiring companies. Neither company would comment. Deeper in the Nestlé portfolio is a trove of small businesses that could be worth more to other owners. In the UK, for example, it owns Gales honey, Sun Pat peanut butter and Sarsons vinegar, strong niche brands, but in areas where Nestlé has no apparent interest. In other areas, synergy may be a valid reason for keeping something. Buitoni dried pasta, for example, has a small and unprofitable share of the Italian market. But Nestlé bought Buitoni and built up a range of high-margin sauces to accompany the pasta. Selling assets is only one tool for shaping portfolios. More important are acquisitions and cannery management. Over the past 15 years under Mr Maucher, Nestlé has made large acquisitions, such as Ferrer of France as part of a SF33bn diversification into mineral water, and of Rowntree in the UK to double its confectionery business and to take it into impulse-purchase snack chocolates. On management, Nestlé has poured resources into developing chilled foods almost from scratch. Buying Chambourcy in France in the 1980s gave it a big

NOTICE OF APPOINTMENT OF SOLE LIQUIDATOR AND NOTICE TO CREDITORS TO CLAIM. NORTHEAST AMERICAN FIDELITY AND GUARANTEE S.A. (IN LIQUIDATION). Includes contact information for the liquidator.

APPOINTMENTS ADVERTISING. Appears in the UK edition every Wednesday & Thursday and in the International edition every Friday. For further information please contact: Toby Finden-Crofts +44 0171 873 3456

PROVINCE OF NOVA SCOTIA U.S. \$500,000,000. Floating Rate Note Due 1999. In accordance with the terms and conditions of the Notes, the interest rate for the period 9th August 1996 to 12th November, 1996 has been fixed at 5.7250% per annum.

NBS Nestlé Investment Bank U.S. \$100,000,000 Collateral Floating Rate Notes due 2003. Includes contact information for the bank.

NEWS DIGEST

Hoogovens upbeat in spite of 54% fall

By Simon Kuper in Amsterdam and Jenny Luesby in London

Net profits at Hoogovens, the Dutch steel and aluminium producer, tumbled 54 per cent to F1 139m (\$88.47m) for the first half of 1996, from F1 303m a year ago. But the shares gained 7 per cent to F1 61.25 because the fall was smaller than expected, and because the group forecast higher second-half demand. "Stocks held by our customers have reverted to normal levels," it said. Orders had recovered in recent weeks. Mr Hans Bluygers, analyst at merchant bank Kempen, said: "Hoogovens is approaching the turning point."

The group forecast F1 142m in net profits before exceptional and post-tax charges for the second half, the same as in the first six months. Sales fell 10 per cent to F1 3.77bn, with steel turnover down 9 per cent to F1 2.55bn. Hoogovens said steel prices fell almost to 1993 levels, "the low point of the previous economic cycle". The division's net profits dropped 54 per cent to F1 139m. But this was "a satisfactory result", due to cost cuts in recent years. Mr Maarten van Veen, chairman, said Hoogovens Steel was "less sensitive to the economic cycle" than in 1993. Aluminium net profits fell 69 per cent to F1 25m, due to weak demand, high supply, and low primary metals prices. Hoogovens expects to invest F1 600m this year, after a period of cutbacks prompted by three years of losses in the early 1990s. But the group aims to cut staff numbers at its Jimindin steel works by 2,000 to 8,500 over the coming years. Earnings per share fell 57 per cent to F1 4.08. Simon Kuper, Amsterdam

Tabacalera shares tumble

By Robert Graham in Madrid

Tabacalera, the Spanish tobacco group which is on the government's privatisation list, took a further battering on the stock market yesterday as a consequence of higher tax levies and an escalating price war. A 3 per cent drop in the share price from Ptas6,320 to Ptas,070 brought the fall since tax increases were announced less than two weeks ago to 23 per cent. The market reversal for Tabacalera, where it was a star performer earlier in the year, means a sharp reduction in the government's potential revenue from privatising its remaining 52 per cent stake. At yesterday's closing price this stake was worth Ptas7,750 (\$776m) compared with a peak value of Ptas12,180 in mid-July. Selling pressure mounted when Tabacalera announced it would not add the tax increases to retail prices on its Virginia-tobacco cigarette brands, including the Spanish market leader Fortuna. The higher levy, imposed along with increases in spirit taxes to make up a government budget shortfall, would normally have raised the price on a Fortuna packet by 20 per cent from Ptas200 to Ptas240. Tabacalera holds a de facto Spanish monopoly on retail tobacco products, but there is increasingly fierce competition between brands. Philip Morris of the US has reversed a plan to raise prices on its Chesterfield and LM brands in Spain after the tax change. Higher prices could give a fresh boost to the contraband trade, which last year accounted for an estimated 13 per cent of Spanish market. David White, Madrid

Tabacalera shares tumbled 13.5 per cent to F1 159m, on sales up 8 per cent to F1 1.95bn. However, this was more than offset by a 73 per cent decline in the fibre division's profits, to F1 15m, on sales down 5 per cent to F1 888m. Fibre consumption by European manufacturers had fallen by 15 per cent since last year, Mr Bergsma said. However, the group expects the fibre division, which accounts for 16 per cent of group sales, to break even in the third quarter. In the chemicals division, second-quarter profits were static, as they were in pharmaceuticals. Looking ahead, Mr Bergsma was upbeat about Puregon, Akzo's biotechnological fertility hormone to be launched later this year, and Remeron, an antidepressant recently launched in Europe and going on sale in the US this week. The group expected full-year profits to be virtually the same as last year.

Kvaerner holds inquiry

By Robert Graham in London

Kvaerner, the Norwegian shipbuilding and engineering group, has launched an internal inquiry into how a 20-year-old temporary worker was able to remove thousands of documents from its computer system. The company, which declined to name the employee, said it was co-operating with a police investigation into the alleged theft.

Lawyers representing the Kvaerner worker, however, denied that he had been involved in any wrongdoing - adding that their client had returned the computer information to the company. They pointed out, moreover, that he had not been detained or questioned by police, although officers searched his home this week. Kvaerner stressed yesterday that the case was not related to an action by Davy International, a UK subsidiary, which is seeking damages from VAI of Austria following the alleged theft of thousands of confidential documents from its former headquarters in the south of England. VAI, a competitor of Davy's metals processing business, has vowed to fight that lawsuit. Tim Bart, London and Hugh Carnegie, Stockholm

Slack demand hits De Rigo

By Robert Graham in Rome

De Rigo, the world's second-largest producer of quality sunglasses, saw first-half net direct sales of frames stationary at L1.67.8bn (\$110.3m). But components and accessories declined to L5.5bn from L8.9bn. The performance reflected slack demand in the Italian market where the proportion of total sales declined from 39 per cent to 31 per cent. Exports rose 9 per cent but the benefits of this were offset by a stronger lira during the first six months of this year, the Belluno-based group said. Sunwear represented 90.2 per cent of sales compared with 89.6 per cent during the same period in 1995. Robert Graham, Rome

Strong rise in L'Oréal sales. Shares in L'Oréal rose yesterday after the company reported an 11.7 per cent rise in sales for the first six months of 1996 to FF730.12bn (\$5.96bn). "A growth rate in excess of 10 per cent when others are showing on average 2 to 5 per cent is good," an analyst said. Another analyst said the sales figures were not a surprise. L'Oréal's first-half cosmetics sales rose to FF74.53bn from FF72.1.95bn. Sales from its pharmaceutical subsidiary Synthelabo rose to FF7.4.62bn in the first half of 1996 from FF7.4.62bn. Reuter, Paris

ING eyes US expansion

By Robert Graham in London

ING, the Dutch financial services group, said yesterday it was still interested in expanding its US business through takeovers, but declined to comment on its unsuccessful attempt to buy First Colony for \$1.5bn. Several other bidders apparently had expressed interest in First Colony, including ING and Equitable Cos, industry sources said earlier. ING said it was aiming for a reshuffling of its turnover breakdown per geographical sector. Last year the group generated about 70 per cent of its F1 41.90m turnover from business in the Netherlands. "The dispersal should become 60 per cent from the Netherlands and 40 per cent international," the spokesman said. Reuter, Amsterdam

Polish bank in talks with IFC. Wlasnosc Pracoowniczej (BWP), a small Polish bank, is in talks with the International Finance Corporation about its possible equity investment in the bank, the BWP president said. Mr Kazimierz Glowacki said the IFC was also discussing a participation of an US bank specialising in services to small business in an investment which could reach \$10m. Mr Glowacki said the bank, which after six months of this year had assets of 8.4m zlotys (\$3.1m), and a balance sheet total of 68.2m zlotys, wanted to buy Agrobank from its receiver. BWP, based in the port city of Gdansk, is owned by 38 institutions and its largest shareholders are Gdansk refinery Rafinaria Gdanska with a 27.9 per cent stake and Gdansk repair shipyard Gdanska Stocznia Remontowa with a 26 per cent stake. Listed Wielkopolski Bank Kredytowy and large state-owned Bank Zachodni each hold 8.3 per cent of BWP. Reuter, Gdansk

Indosat group, Mexico's B, ICTSI lifted, Goodman Fielders warns of AS7 abnormal change.

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COMPANIES AND FINANCE: UK

Eurotherm settles dispute

By Tim Burt
Eurotherm, the industrial controls manufacturer, yesterday bowed to pressure from institutional shareholders by appointing a new chairman and reinstating Mr Claes Hultman, the chief executive ousted in a boardroom battle last month.

Sir James, who plans to spend seven days a month at Eurotherm, is expected to receive £75,000 a year... He emphasised that he saw himself as an independent rather than a non-executive chairman and would have a say in strategy.



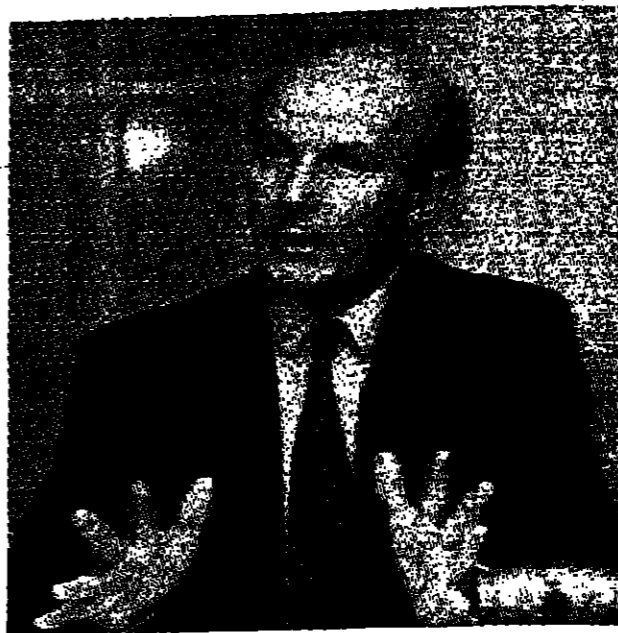
Sir James Hann: institutions welcomed appointment

CU could expand in eastern Europe

By Ralph Atkins, Insurance Correspondent
Commercial Union, the composite insurer, is considering expansion into Russia and the Czech Republic as part of a strategy of reducing its reliance on an increasingly tough UK market.

Abbey National advances to £558m

By Motoko Rich
Shares in Abbey National dropped 14p to 577p yesterday, reflecting market concern about a fall in the former building society's core mortgage market share and a steady performance in its retail banking arm.



Peter Birch: growth elsewhere offset retail banking side

The group also suffered a net outflow of liquid savings of £1.3bn. Mr Peter Birch, chief executive, said weakness on the retail banking side was offset by strong performance in life insurance, investment and Treasury products, which accounted for 43 per cent of profits.

Airtours makes Canadian buy

By Scheherazade Daneshkhu
Airtours, the UK's second largest package holiday operator, yesterday injected cheer into the holiday market with strong third quarter pre-tax profits and news of its £21m (\$15.3m) acquisition of Alba, a Canadian regional tour operator.

The Federation of Tour Operators, which represents the largest operators, said the industry had cut capacity by 14 per cent this year. Cumulative pre-tax losses for the nine months to June 30 fell from £21.4m to £11.4m, of which new businesses contributed £4.3m.

Metal Bulletin improves 39%

By Kenneth Gooding, Mining Correspondent
Metal Bulletin, the specialist international publisher, yesterday revealed bumper first-half profits and a 21 per cent dividend lift.

Internet-based services for shipping and metal trading. Mr Paul Vincent, finance director, said spending on this in the first half was about £50,000 and would rise to £250,000 in the second.

Liberty Intl pension move

By Motoko Rich
Liberty International, the newly renamed property and financial services group, is to launch a pensions company in the fourth quarter, capitalising on the customer base at its majority-owned shopping centre company.

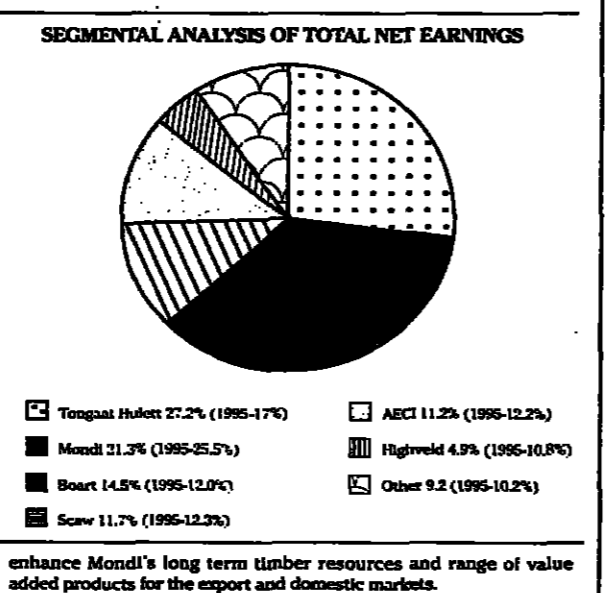
to some of the 150m customers of the out-of-town malls run by Capital Shopping Centres, the retail property company in which Liberty has a 72 per cent stake.

acquisitions on the investment side. An 84 per cent jump in net rental income at Capital Shopping Centres helped raise interim pre-tax profits 12 per cent to £56.1m.

AMIC

• Turnover up 10% at R10.7 billion • Total net earnings down 9% at R427 million
• Total net earnings per share down 11% at 635 cents • Interim dividend maintained at 160 cents per share
• Headline earnings per share down 14% at 613 cents

Table with 3 columns: R million, Six months ended 30.6.96, Six months ended 30.6.95, Year ended 31.12.95. Rows include Turnover, Earnings from operations, Share of earnings of associates, etc.



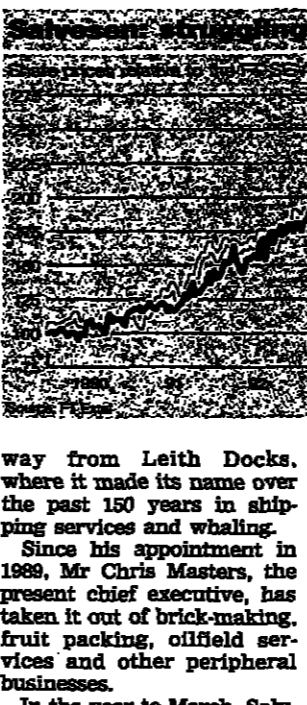
COMMENT ON RESULTS
Turnover for the six months to 30 June 1996 increased by 10 per cent to R10.7 billion from R9.7 billion in the first half of 1995. However, owing largely to the significant decline in international commodity prices and substantially weaker local demand for many of the Amic group's products, particularly in the first quarter, operating margins declined from 9.1 per cent to 7.1 per cent.

enhance Mondi's long term timber resources and range of value added products for the export and domestic markets. The acquisition, valued at R1 billion debt free, was financed from Mondi's own cash resources and through an equity injection by Mondi's shareholders.

Salvesen's kingsize headache

After rebuffing Hays' takeover approach, the directors have a lot to prove, says Ross Tieman

Directors of Christian Salvesen have a kingsize headache. Having turned down a takeover approach worth 406p a share, they now have to demonstrate that it undervalued the Scottish distribution and equipment hire business - even though analysts put the group's break-up value as low as 340p a share.



Investors say it was close to the knock-out price that Salvesen would have found irresistible. But not close enough. Any higher, and Hays' earnings per share would have suffered dilution.

Mr Ronnie Frost, the executive chairman of rival distribution and business services group Hays, has left himself a route to renew his wooing.

After a string of profit warnings from the group over the past three years, analysts suggest Aggreko is now set for strong growth. Expansion into industrial markets and continental Europe is reducing the vulnerability of distribution to price competition among UK retailers.

Since then, it has become a market darling, growing fast to achieve pre-tax profits of £110m in the year to June 1995, on sales of £800m. Distribution in Britain, France and Germany provided 48 per cent of operating profit.

Table with columns: Company, Turnover (£m), Pre-tax profit (£m), EPS (p), Current dividend (p), Date of payment, Dividends corresponding dividend, Total for year, Total last year. Lists companies like Abbey National, Airtours, Applied Int'l, etc.

DIVIDEND: Dividend No. 65 of 160 cents per share has been declared payable on Friday 11 October 1996 to shareholders registered at the close of business on Friday 30 August 1996. The register of members will be closed from Saturday 31 August 1996 to Saturday 7 September 1996.

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TECHNOLOGY

Despite a slow start, machine vision systems are making a comeback. Anna Kochan reports

# Inspectors on the lookout

Along the line the nappy comes. Then another. And another. And another. More than 300 per minute altogether. The nappies never stop, but as they travel inexorably on, from one production stage to another, their progress is surveyed by carefully located cameras.

These are quality control inspectors: they watch for tape tabs and determine the presence and dimensions of the absorbent pad. They inspect the size, shape and contour of the nappy. They ensure that they satisfy the stringent quality standards demanded by the customer of the 1990s.

Machine vision seems to be an obvious solution to the quality problem but this young technology has far from met its original expectations. When it appeared in the 1980s, it was believed to be the answer to every automation problem.

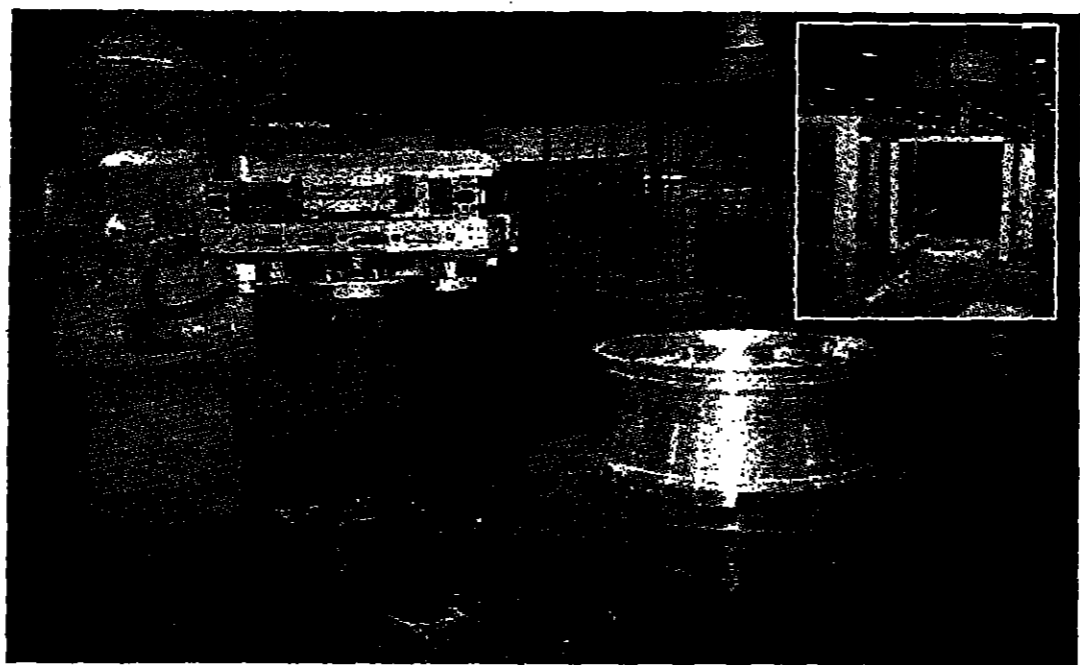
Such ideas were soon to be proved false. Industry analysts forecast very rapid growth in sales but this was never achieved. The new technology itself caused widespread disappointment because it was complicated to use and extremely expensive.

Fortunately for nappy manufacturers, and others, the vision enthusiasts did not despair. They persisted with their development projects and soon found areas of application that not only worked but also created profit. Now confidence in machine vision has been gradually restored and the latest systems are cheaper and easier to use than ever before.

The past five years have seen considerable growth in the European vision market, says Eric Ceyrolle, vice president of European operations at US company Cognex, the world's leader in vision. Ceyrolle estimates that the market has grown from \$20m-\$30m (£12.8m-£19.2m) in 1991, when Cognex started up in Europe, to \$200m today.

At the same time, applications of vision have become more diverse. Ten years ago, the only industries which invested in vision were semiconductors and electronics, where vision was essential, Ceyrolle says. "The semiconductor industry needed vision because it was handling tiny and very precise components and because it demands extremely high performance. It was worth investing in developing solutions for this sector because there was volume business to be won. Half the European vision market is still tied up in this sector."

Having gained experience in vision systems for the semiconductor industry, Cognex went on



Black & Decker and Alloy Wheels are raising levels of customer satisfaction and facilitating production automation

to conquer other markets. The medical and pharmaceutical industry is the one where vision is essential today, Ceyrolle indicates. It is used for the full inspection of label printing quality on bottles, for checking that intravenous bags are correctly assembled, for gauging the sharpness of surgical needles and verifying that syringes contain the correct amount of product and that it is free of contamination.

Developing a vision solution for a specific application does, however, demand a heavy investment, which is why Cognex heads for niche markets likely to bring large quantities of repeat business.

As the technology becomes more mature, prices are dropping. Cognex reports that its installations, which cost as much as \$100,000 or \$200,000 10 years ago, are now down to around \$35,000.

A small UK vision specialist, Image Industries, recently

brought out a system at just £3,500. "At this price, the user has the job of setting up his own application but that is a simple task taking about half a day," says Peter Neve, managing director. "In the past you almost needed to be a computer programmer to develop an applica-

tion but that is no longer true." Neve says Image Industries' low-cost Checker system can accomplish the simpler 80 per cent of all industry's vision requirements. It can handle up to 50 inspections per second and is likely to be used for checking parts and products moving continuously on a conveyor.

Most often, says Neve, companies adopt vision technology to achieve full product inspection, whereas previously they had only inspected samples, or not at all. "An operator cannot concentrate on a repetitive inspection task to give a reliable 100 per cent inspection. This is where the camera has an advantage."

Black & Decker, a typical image industries customer, has progressively introduced vision technology at its Spennymoor plant in northern England to raise levels of customer satisfaction. Norman Spence, manufacturing engineer, says: "Before we used vision to check that all the components were present in a carton before packaging it up, we used to have a lot of customer complaints about missing parts."

Not all vision systems have a quality control agenda, however. They also facilitate production automation. At Alloy Wheels in Stroud, Gloucestershire, vision has led to a saving of one opera-

tor per shift and 10 per cent higher output, says Dave Smith, senior shopfloor engineer. Instead of an operator, a robot loads wheels to a drilling machine.

But whereas an operator is able to recognise how to orientate the wheel for drilling, a robot cannot. Thus, a camera is needed to view the wheel on a turntable, and to calculate the rotation of the turntable to bring the wheel round into the desired orientation. The robot can then load it correctly.

These vision applications are not isolated cases. However, a vast untapped potential still exists. Ignorance about what vision is and how it can be used is a big problem, says Gerard Mezin, managing director of ITMI Aptom, the French systems integrator, though he believes that companies now consider it regularly as one of the options available even if it is not often the chosen solution. He sees the market as being fairly stable and growing at a rate of just 4-5 per cent a year.

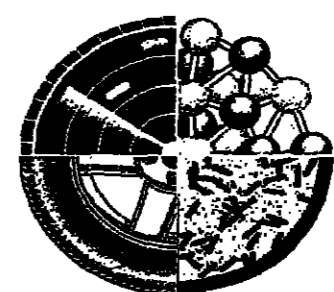
One of the difficulties that has to be overcome before vision is adopted more widely is that companies have to come face to face with the cost of the scrap they are currently producing, which can be rather daunting, says Don Braggins, independent vision consultant.

"People are worried that vision will reveal that they're producing more scrap than they previously thought and this will mean lower output of good product. But, if they stop to calculate the benefit of using vision to eliminate scrap, they are likely to discover that 1-2 per cent of raw material costs can be saved, which can be a lot of money."

For those more complicated vision applications where the low-cost Image Industries approach is inadequate, the Sira Technology Centre in Chislehurst, Kent, has set up the Intelligent Imaging Programme aimed at helping manufacturing companies develop their own vision solutions without having to employ a specialist. It will bring the cost of a £50,000-£100,000 installation down to £10,000-£20,000, says Bill Simmonds, the centre's manager.

"We're not developing any vision technology. That already exists on the market. The problem for the user is to select the best technology available for a specific application. Our project aims to generate a tool that is user-friendly, even for small companies, and would analyse a user's vision application and relate it to the technology available on the market."

## Worth Watching - Vanessa Houlder



for Microsoft Excel or Lotus 1-2-3. The software allows computations based on figures from within the spreadsheet to be displayed graphically as charts and graphs.

Decision Curve: UK, tel (0)171 766 7000; fax (0)171 9306466.

### Early diagnosis of glaucoma

Glaucoma is the most common cause of blindness in the industrialised world. But it is difficult to diagnose because the patient does not notice the deterioration in vision until a late stage.

German scientists are developing a technique that could reveal the earliest signs of glaucoma. It depends on detecting the damage to the head of the optic nerve that is caused by increased pressure on it. Laser tomography is used to produce images of the area, which are analysed using image-processing methods. The technique was developed by researchers at the University of Erlangen, software companies and the Fraunhofer Institute for Non-Destructive Testing.

Fraunhofer Institute for Non-Destructive Testing: Germany, tel 3513748253; fax 3513748219.

### Starring in a video conference

Brainstorming over a video conferencing link could become easier with the development of a voice-activated camera device that automatically zooms in on the main speakers in a room.

The device has four internal microphones that locate incoming soundwaves. An algorithm calculates the arrival time of the sound waves at each end of the microphones to work out the angles at which the camera should pan, tilt and zoom. A voice processing circuit distinguishes human voices from any other sound.

PictureTel, the US-based developer of the Limelight system, says it is able to track the position of people as they move around during the meeting. If more than one person is speaking, the camera adjusts its pan, tilt and zoom angles to include all the relevant people in its view.

PictureTel: UK, tel (0)1753 673000; fax (0)1753 673010.

### Buckyballs as lubricants

Buckyballs - the football-shaped molecules made from 60 carbon atoms - may be able to improve the performance of conventional lubricants, according to a report in today's Nature.

After their discovery 11 years ago, scientists were intrigued by their ability to rotate rapidly while remaining in their lattice position, like miniature ball bearings. But early hopes that these molecules would be successful lubricants were not supported by experimental evidence.

Now researchers at the University of California at Santa Barbara have shown that the molecules, known as buckminsterfullerenes, show "great promise" as an additive. They found that the molecules, when dissolved in toluene, reduced the frictional drag between the liquid and a surface to close to zero.

University of California, Santa Barbara: US, tel 805 893 8407; fax 805 893 7570.

### Spreadsheets made easy

A software tool designed to take the drudgery out of writing spreadsheets has been designed by a newly formed spreadsheet specialist.

The tool, called Interactive Forecasting, can speed up the development of a spreadsheet model by up to 10 times, according to Decision Curve, its developer.

The user supplies a formal description of the business model required, listing all the variables and the relationships between them. This description is sent to an on-line server computer at a customer service centre, which automatically compiles a custom spreadsheet

## Verbundnetz Gas AG

### Energy on the move



We are an east German gas merchant company: our day-to-day business shows us what it takes to put the east German economy on the move towards recovery: energy. For us, energy isn't just natural gas - even though natural gas is the most popular form of energy with consumers, utilities and businesses. For us, it is also the initiative, flexibility and commitment needed to put our economy back on its feet. Together with our partners in energy - regional distributors, local government and industry - we have already moved a long way within a short space of time. We are able to supply natural gas via an area-wide network to all parts of east Germany - a major achievement which has received international recognition. Now we are focusing on the finer details: greater flexibility in gas purchasing and the ability to meet growing demand for gas. That makes us the right partner for energy.

Verbundnetz Gas AG - Karl-Heine-Straße 10 - 04229 Leipzig - Germany - Telephone: (00 49) 341 443-01

## COMMERCIAL UNION

RESULTS - 6 MONTHS 1996

### Good underlying performance

- Interim dividend increased by 7% to 11.45p.
- Pre-tax operating profit of £216m (1995 £248m) affected by an increase of £56m in weather claims in the US and UK.
- Strong life business growth and life profits up 14% to £117m.
- Good growth in profits from France and the Netherlands.

John Carter, Chief Executive, commenting on the results said: "A good underlying performance offset the effect of increased weather claims. Excellent progress continues to be made in France and the Netherlands and strong growth was produced by our worldwide life businesses."

	6 months 1996 Unaudited	6 months 1995 Unaudited
Total premium income	£4,569m	£4,426m
Operating profit before taxation	£216m	£248m
Profit on ordinary activities before taxation (i)	£280m	£275m
Profit attributable to shareholders	£178m	£204m
Operating earnings per ordinary share	20.0p	26.4p
Interim dividend per share	11.45p	10.70p
Shareholders' funds	£3,990m	(ii) £4,074m

Note: (i) Includes realised investment gains before taxation of £64m (1995 £39m). (ii) At 31 December 1995.

The 1996 interim report will be circulated to shareholders on 30 August 1996 and copies can be requested from the Shareholder Relations Service at the address below or by telephoning 0171 283 7500 ext 28866.

Commercial Union plc, St. Helen's, 1 Undershaft, London EC3P 3DQ  
Internet: http://www.commercial-union.co.uk/cu

INTERNATIONAL CAPITAL MARKETS

Gilts shrug off Bank's warning on rates

By Samer Iskandar and Peter John

UK gilts shrugged off the publication of the Bank of England's Quarterly Bulletin, although the bank made clear it was increasingly inclined to raise interest rates in order to contain inflationary pressures.

likely to fall further... a situation (that is) very bullish for gilts. In the cash market the 10-year benchmark gilt rose 1/8 to 98 1/2, while the 8 per cent bond due 2000 lost 1/8 to 103 1/4.

GOVERNMENT BONDS

near future, investors are unwinding the short-term positions they had put on to benefit from a rate reduction.

appeared more bearish in the long term. In its report, the Bank yesterday stated clearly that inflationary "risks are skewed towards the upside".

French OATs proved resilient, closing slightly higher despite renewed weakness of the currency.

planned to meet the Monetary criteria for monetary union in 1997 and still be able to cut taxes.

Traders' unwinding of convergence trades held bonds outperform high yielding markets.

Supply considerations dominated the US Treasury market again yesterday as the \$36bn quarterly refunding continued.

where it will shrink for some time.

Any hike in Japanese rates would stifle the yen forward carry trades - borrowing money in Japan to take advantage of the very low rates and investing the cash into Treasuries for higher returns.

Mr David Brown of Bear Stearns, said Mr Sakakibara's statement added to the feeling of rates relief which spread with last week's low US employment and price data.

Consequently, the US long bond moved forward 1/4 by midday to yield 6.740 per cent. Some economists are predicting that continued support could take the yield down to 6.5 per cent in the near term.

Survey shows growing use of derivatives by insurers

By Peter John

Leading UK insurance groups now use derivatives as important mechanisms in their investment strategy, according to a survey published yesterday.

Liffe survey adds weight to an earlier review of pension fund activity, which showed that a third of investment groups questioned use futures and options.

It reflects a significant change of attitude by institutional investors, which represent more than half of the UK market.

Ms Sandy Phillips, head of equity products at Liffe, said: "The results show that the use of futures and options is now an essential part of the UK life insurance industry."

moves would be implemented in derivatives, if only as an initial move," he said.

He added that when the group needs very specific products it also acquires tailor-made derivative contracts through the over-the-counter market.

Liffe surveyed 55 of the UK's largest life insurers, with funds worth more than £160bn on average. It found 71 per cent of respondents used derivatives. Almost 60 per cent said they used derivatives more than they did two years ago, and 63 per cent believed their use would increase further over the next two years.

Most of the activity is within exchange-traded futures rather than options.

However, the sample size was much larger - 560 funds were questioned for the most recent information - and Mr John Rogers, director of the National Association of Pension Funds, said activity had grown. "What we found in the past was that although many managers were authorised to use derivatives, not many actually used them."

As with insurance groups, the prime motivation is asset allocation. Funds will also take derivative positions if they anticipate a big influx of cash as it lessens the counterparty's risk.

J.P. Morgan Investment Management, with client portfolios worth \$37bn in London, has seen an increasing use of derivatives.

Mr Geoff Lindley, head of UK institutional investment at the group, said: "Over the past 12 to 18 months we have seen a change in attitude. People have started to realise that if you have the proper controls and a proper understanding of what is going on, they are a valuable tool. The cost savings are very significant."

Abbot Laboratories poised for \$250m debut

By Antonia Sharpe

Abbot Laboratories, the Chicago-based drug company, is set to make its first appearance in the eurobond market today with a \$250m five-year transaction.

The maturity of the deal, via Goldman Sachs, suggests that the bonds will be targeted at European retail investors who are keen on

Earlier, Germany's KfW and Sweden and Wait Disney both launched Swiss franc deals yesterday.

The 10-year maturity on Sweden's deal was relatively unusual for the Swiss franc sector, but lead manager UBS said the borrower had opted for that maturity because of strong demand from investors. The interest was such that the offering was increased from SF1,500m to SF2,000m. The bonds traded at less 2.45/2.25 per cent, well inside fees of 2 1/2 per cent.

Wait Disney's SF125m four-year offering was also well-received, and traded at less 1.60/1.50 per cent, inside fees of 1 1/2 per cent. The proceeds of both transactions are believed to have been swapped into dollars at a sub-Libor rate.

Argentina returned to the

New international bond issues

Table with columns: Borrower, Amount, Coupon, Price, Maturity, Yield, Spread, Book-runner. Includes entries for US Dollars, French Francs, and Italian Lira.

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. Floating-rate notes, 90-day annual coupon. R fixed rate offer price less shown at re-offer level. A MENA Master Credit Card Trust. Legal maturity 2004. 3-month Libor +100bp. 6-month Libor +120bp. 9-month Libor +140bp. 12-month Libor +160bp. Plus 4 days accrued. 0 Over interpolated yield. 1 Long 1st coupon.

EUROBOND MARKET FOR THE FIRST TIME SINCE THE REMOVAL

last month of the country's economy minister, Mr Domingo Cavallo, which caused spreads on benchmark Argentine paper to widen by 30 basis points, to 330 basis points. The discounted margin on yesterday's \$500m offering of three-year floating-rate notes of 274 basis points over Treasuries showed that investor fears have since subsided.

INTERNATIONAL BONDS

bonds from top-quality borrowers. Abbot has a coveted triple-A/double-A1 credit rating, which will be reflected in the pricing of its offering. The yield spread is expected to be 16-18 basis points over Treasuries.

Abbot is the latest high-quality name to come to the eurobond market this week.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

Table with columns: Country, Coupon, Red Date, Price, Day's change, Yield, Week ago, Month ago. Includes Australia, Belgium, Canada, Denmark, France, Germany, Italy, Japan, Netherlands, Portugal, Spain, Sweden, UK Gilts, US Treasury.

BUND FUTURES OPTIONS (IFFE) DM250,000 points of 100%

Table with columns: Strike, Price, Sep, Oct, Nov, Dec, Sep, Oct, Nov, Dec. Includes CALLS and PUTS.

ITALY

NOTIONAL ITALIAN GOVT BOND (BIT) FUTURES (IFFE) Lira 500m 100% of 100%

Table with columns: Open, Set price, Change, High, Low, Est. vol, Open Int. Includes Sep, Oct, Nov, Dec.

ITALIAN GOVT BOND BIT FUTURES OPTIONS (IFFE) Lira 500m 100% of 100%

Table with columns: Strike, Price, Sep, Oct, Nov, Dec, Sep, Oct, Nov, Dec. Includes CALLS and PUTS.

Spain

NOTIONAL SPANISH BOND FUTURES (MEFF)

Table with columns: Open, Set price, Change, High, Low, Est. vol, Open Int. Includes Sep, Oct, Nov, Dec.

UK

NOTIONAL UK GILT FUTURES (IFFE) £50,000 20% of 100%

Table with columns: Open, Set price, Change, High, Low, Est. vol, Open Int. Includes Sep, Oct, Nov, Dec.

LONG TERM FRENCH BOND OPTIONS (MATIF)

Table with columns: Strike, Price, Sep, Oct, Nov, Dec, Sep, Oct, Nov, Dec. Includes CALLS and PUTS.

France

NOTIONAL GERMAN BOND FUTURES (MATIF) FF500,000

Table with columns: Open, Set price, Change, High, Low, Est. vol, Open Int. Includes Sep, Oct, Nov, Dec.

LONG TERM FRENCH BOND OPTIONS (MATIF)

Table with columns: Strike, Price, Sep, Oct, Nov, Dec, Sep, Oct, Nov, Dec. Includes CALLS and PUTS.

Germany

NOTIONAL GERMAN BOND FUTURES (IFFE) DM250,000 100% of 100%

Table with columns: Open, Set price, Change, High, Low, Est. vol, Open Int. Includes Sep, Oct, Nov, Dec.

UK Gilts Prices

Table with columns: Name, Yield, Bid, Offer, High, Low. Includes Short-term Gilts, Intermediate-term Gilts, Long-term Gilts.

Other Fixed Interest

Table with columns: Name, Yield, Bid, Offer, High, Low. Includes various international bonds.

Telco issue oversubscribed

By Tony Tassell

A \$175m Global Depository Receipt issued by Tata Group with a 15 per cent greenhoe option, while Reliance Petroleum, part of the textiles to petrochemicals Reliance group, raised \$425m through a syndicated loan and convertible bond issue.

The Telco issue, which had an additional \$25m greenhoe option, was priced at \$4.25 a GDR. Each GDR represents one underlying domestic share.

The pricing represents a 1.8 per cent premium over Tuesday's closing price for the underlying domestic shares and a 0.8 per cent discount to Telco's existing GDRs.

Investment Corp of India

placed a \$200m issue with a 15 per cent greenhoe option, while Reliance Petroleum, part of the textiles to petrochemicals Reliance group, raised \$425m through a syndicated loan and convertible bond issue.

The Tata group company had raised \$115m through a GDR issue in 1994.

The latest issue's two lead managers were Credit Suisse First Boston and Merrill Lynch.

Investment bankers said that the success of the issue represented a continued shift towards quality by international investors in Indian paper.

FT-ACTUARIES FIXED INTEREST INDICES

Table with columns: Price Index, UK Gilts, US Treasuries, etc. Includes various fixed interest indices.

FT FIXED INTEREST INDICES

Table with columns: Price Index, UK Gilts, US Treasuries, etc. Includes various fixed interest indices.

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on August 7

Table with columns: Issued, Bid, Offer, Cdn Yield, etc. Includes various international bonds.

FT-EDGED ACTIVITY INDICES

Table with columns: Price Index, UK Gilts, US Treasuries, etc. Includes various edged activity indices.

FT/ISMA INTERNATIONAL BOND SERVICE

Table with columns: Issued, Bid, Offer, Cdn Yield, etc. Includes various international bonds.

CONVERTIBLE BONDS

Table with columns: Issued, Bid, Offer, Cdn Yield, etc. Includes various convertible bonds.

BASE LENDING RATES

Table with columns: Name, Rate, Bid, Offer, High, Low. Includes various base lending rates.

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FT/ISMA INTERNATIONAL BOND SERVICE

Table with columns: Issued, Bid, Offer, Cdn Yield, etc. Includes various international bonds.

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Vertical sidebar on the right side of the page containing various market reports and advertisements, including 'MARKETS REPORT', 'French fran', 'BASE LENDING RATES', and 'CONVERTIBLE BONDS'.

CURRENCIES AND MONEY

MARKETS REPORT

French franc continues to wilt in summer heat

By Philip Gawth

The French franc slipped yesterday to a four month low on the foreign exchange amid widespread speculation that the Bank of England's quarterly report, which appeared to support the currency.

Markets remain sceptical about the French government's resolve to continue taking still economic medicine, necessary to meet the Maastricht convergence criteria, at a time when the economy remains lacklustre.

The French franc closed in London at FF13.41, from FF13.40. Earlier it had slipped to an intra-day low of FF13.37.

The D-Mark was stronger against most currencies. Against the lira it finished at L1,024, from L1,021.

Another feature of the day's trading was the weakness of the yen. It finished at Y172.67 against the D-Mark, from Y172.04. This move helped the dollar rally to

Y107.75, from Y106.96, against the yen. It was little changed against the D-Mark at DM1.4829, from DM1.4843.

Sterling had a better day, helped by the release of the Bank of England's quarterly report, which appeared to rule out the prospect of any near-term cut in interest rates.

A year ago analysts were predicting a long hot summer for the French franc. Although it did manage to fall from FF13.42 to FF13.50 against the D-Mark between August and October, the Bank of France was successful in defending the currency against many speculators' lost money.

Now they appear once more to have the franc in their sights. According to one New York based hedge fund analyst, the current tensions reflect the divergences between the French and German growth cycles.

German numbers, such as manufacturing orders and industrial production have recently been on the strong side, while unemployment has been steady.

In France, by contrast, unemployment continues to rise, to 12 1/2 per cent, while business indicators are depressed. As a result, markets are starting to focus on the September 18 budget and are asking how the government will manage to produce a package capable of keeping it on track for Maastricht.

Mr Mike Gallagher, analyst at IDRA, the financial markets consultancy in London, said there had been numerous rumours of the Bank of France intervening.

One observer said the bank had been seen at FF13.3950, FF13.4025 and FF13.4055.

Three reasons were given for the weakness of the yen (which has weakened dramatically, especially against the D-Mark, since reaching Y169.60 only three weeks ago).

The most important was the report in an influential Japanese newspaper suggesting that the Bank of Japan was under pressure from the Ministry of Finance and the US government not to raise rates. A report in the same paper a few months back, about the BOJ considering raising rates, prompted the yen to rally.

In matters of weeks, therefore, the situation has changed such that the Bundesbank looks less likely to cut rates, while the BOJ looks less likely to raise rates.

The second factor was comments from Mr Eisuke Sakakibara, the influential MOP official, saying that the recent downward trend in the dollar was over, as fundamentals had not changed.

Some observers, however, believe that the influence of Mr Sakakibara, who is closely identified with a "strong dollar" policy, is less than it used to be.

Finally, comments on Tuesday from Mr Ryutaro Hashimoto, the prime minister, were also interpreted as setting back the case for a rise in interest rates. He said an autumn general election - which had earlier been seen as reason for raising rates, in order to please savers - was now unlikely.

Other currencies: The pound sterling rose to £1.5438 against the dollar, from £1.5434. The Swiss franc rose to SF1.5395 against the dollar, from SF1.5390.



make it more difficult for Germany to cut rates. Even if it does, the cut is unlikely to be large, and could well be delayed by the market deciding it is the best.

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WORLD INTEREST RATES

Table with columns: Country, Rate, and various interest rate indicators.

Table with columns: LIBOR FT London, Euro Currency Interest Rates, and other financial metrics.

POUND SPOT FORWARD AGAINST THE POUND

Table showing pound spot and forward rates against the pound for various countries.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Table showing dollar spot and forward rates against the dollar for various countries.

CROSS RATES AND DERIVATIVES

Table showing exchange rates and derivatives for various currencies.

UK INTEREST RATES

Table showing UK interest rates for various terms and instruments.

EMU EUROPEAN CURRENCY UNIT RATES

Table showing EMU European currency unit rates for various countries.

US TREASURY BILL FUTURES (Dollars \$1m per 100%)

Table showing US Treasury bill futures rates for various terms.

BASE LENDING RATES

Table showing base lending rates for various banks and institutions.

EUROBOND OPTIONS (LFFFE DM1m points of 100%)

Table showing Eurobond options rates for various terms.

Advertisement for Berkeley Futures Limited, offering futures and options trading services.

Advertisement for Market-Eye, providing market analysis and news.

Advertisement for Futures & Options, offering trading services and educational resources.

Advertisement for KOLON INDUSTRIES INC., featuring convertible bonds.

Advertisement for US\$175,000,000 floating rate depositary receipts.

Advertisement for legal notices, including information about bondholders.

Advertisement for BONGRAIN S.A., highlighting sales growth and market performance.

COMMODITIES AND AGRICULTURE

LME options bloomer causes red faces but "minimal" losses

By Kenneth Gooding, Mining Correspondent

Somebody either forgot to push the right button or pushed the wrong button at Metallgesellschaft's metal trading organisation in London yesterday and the group faced the possibility of losing several million pounds of profit on its copper options business.

This caused something of a sensation among London Metal Exchange traders when they realised that MG had not exercised profitable options representing very large tonnages of copper at the appointed hour yesterday morning.

Outokumpu plans \$110m zinc boost

By Kenneth Gooding

Outokumpu, the Finnish mining and metals group that last year completed a \$1.1-billion (US\$1.6-billion), three-year programme to expand copper and nickel production, is now turning its attention to zinc.

The group is to invest \$110 million to boost annual zinc production capacity at its Kokkola plant in Finland by about one third, from 170,000 tonnes to 225,000 tonnes by the end of 1998.

Kokkola already accounts for about 3 per cent of global refined zinc production and Outokumpu said the invest-

ment would secure its competitive position "far into the future".

The company said it would use a new technology it has developed - a direct method of leaching zinc concentrates (an intermediate material). This would improve productivity and bring down production costs.

Outokumpu also provides about 1 per cent of the world's copper supply and 3 per cent of the nickel. The \$1.1-billion programme, the largest in the group's history, lifted its copper mining and refining capacity at nickel output by about 75 per cent.

Pakistan struggles to end human bondage

Farhan Bokhari on a system that traps peasants into a life-time of unpaid labour

Jeema (she has only one name) is the victim of a strange accounting system that for decades has forced some of Pakistan's poorest peasants to work on farms as bonded labourers, or virtual slaves. But the practice of keeping labourers like her in bondage, for which some of Pakistan's wealthiest landowners have become notorious, is coming increasingly under attack from growing international criticism.

Along with her husband and their eight children, Jeema spent almost 22 years in bondage, trying to repay a meagre loan of Rs600 (US\$17.15). In spite of her entire family's dawn to dusk toil, the loan grew to a staggering Rs40,000 (more than \$11,000).

She claims that she was never paid "the wadera (landowner) only told us that our loan was growing but he never explained how and we never got paid for working on his farm," laments Jeema, speaking through an interpreter in Sindhi, a Pakistani regional language.

But she is one of the lucky ones, being among the roughly 2,000 former bonded labourers who've been freed during the past year in police raids on large farms in Pakistan's Sindh province. She now lives in one of the 50 huts made out of straw, located on land donated by a Christian mission outside the town of Maatl, some 300km South of Karachi.

Human rights activists claim that tens of thousands more such labourers are still kept in bondage at privately run jails on farms, where gunmen hired by landowners keep them in chains and force them to work in sub-human conditions.

The effect of the campaign to release bonded labourers on Pakistan's agriculture economy is not entirely clear, largely because of poor statistics. Agriculture makes up for around 25 per cent of Pakistan's GDP and employs about half the total labour force. But no one knows the exact proportion of the labour force that is kept in bondage.

concerns of a confrontation between the government and large landowners, many of whom are politically powerful, senior government officials say, Pakistan is finding it increasingly difficult not to take action, even if it only of a symbolic nature.

Any international moves forcing the country to improve the working standards for Pakistan's farm labourers could include measures to restrict its agricultural exports, most notably that of cotton products, which account for almost 60 per cent of the total.

M Shehbaz Wazir Ali, special assistant to the prime minister on social issues, defends the government saying: "Wherever the government has received information, it has not delayed for a moment its reaction and action." She adds: "In this day and age, where globally accepted values and principles of human rights, fundamental freedoms are accepted and certainly there is strong advocacy for them, it is untenable really for a

society to continue to turn a blind eye towards such practices of bonded labour."

Under laws that introduced tough penalties in 1933, Pakistan made it illegal for landowners to give fresh loans to peasants or to take unpaid labour in lieu of repayment. The move was taken as a step to discourage the practice of forcing peasants into bondage. A human rights ministry was established more than two years ago to promote the eradication of such practices.

Many human rights activists, however, say much tougher action will be needed to improve the situation significantly. Mr Ali Hassan, a Pakistani journalist who has actively supported the campaign to release bonded labourers (for details see page 12) says: "The basic reason for most members of the parliament belong to the 'zamindari' (landowners) class who are more interested in the status quo than bringing about change." He adds: "The [human rights] ministry should be really empowered to take tough action."

Other critics charge that the government needs to attack the problem much more aggressively. The country still has few outlets for offering credit to the poor and illiterate, which forces many peasants to seek loans from landowners, running the risk of being exploited for a life-time. Another problem is that there are few opportunities for the rehabilitation of those who are released from bondage.

Ms Ali agrees that more needs to be done to help former victims begin a new life. "In cases where bonded labourers have been removed from the places of bondage and have been taken to other sites, I think we haven't provided sufficient support for them to rebuild their lives."

Even if help eventually arrives from the government, victims like Jeema will continue to suffer. Her children still have to toil day after day in the blistering sun as manual labourers because they have not learnt any other skills. But at least now they get some money at the end of the day.

China expects record harvest

China's grain harvest is expected to reach at least 465m tonnes this year, while cotton output is seen at 4.5m tonnes, scarcely affected by floods and typhoons, the Ministry of Agriculture said, reports Reuters from Beijing.

"These targets are within reach if no major calamity occurs before the autumn harvest," it said in its Agricultural Development Report.

It said that the country's total grain acreage had expanded by one per cent in 1996.

The ministry said it hoped for a 47m-tonne grain harvest this year, up from 1995's record 465m tonnes.

Sugar pact chief sees downward pressure on prices

With an estimated 5.5m-tonne surplus on international markets during 1996-1997, world sugar prices are to come under downward pressure, the executive director of the International Sugar Organisation said, reports Reuters from San Luis Potosi, Mexico.

"Although demand remains quite strong, the surplus of production over consumption... cannot fail, we believe, to put world sugar prices under pressure," Mr Peter Baron told the annual congress of the Confederation of Iberoamerican and Philippine Sugar Cane Growers.

He said the current surplus represented 22 per cent of traded sugar and that, together with good prospects for the 1996-1997 harvest in most producing and exporting countries, would take the world sugar economy into a phase of lower prices.

"Raw sugar prices can be expected to fall to below 10 cents per pound, compared to 12 cents per pound currently, and white sugar to 13-14 cents per pound, compared to 17-18 cents per pound at the moment."

He said that market analysts had been puzzled why prices had remained stubbornly high in the face of the looming substantial surplus and added that it could be partly explained by some sharp starts to some crops and a relative shortage of

high-quality white sugar and demand from unexpected sources such as Turkey, Pakistan and the Philippines.

"Nevertheless," he said, "we feel that, sooner or later, the underlying statistical situation will assert itself and the level of the world surplus will begin to affect prices."

Mr Baron added that he believed investment fund positions in the sugar market had remained heavy, which had also been a factor in keeping prices high, especially in the New York market. He warned that an exit of funds from sugar markets could lead to an even sharper fall in prices.

market was placed in a difficult situation, with producer nations, and especially traditional exporters looking to boost output.

"Production for 1996-1997 in the centre-south of Brazil where some possibility to transfer cane to alcohol production exists, has already started and another crop in excess of 9.5m tonnes is expected in that region," he said.

Thailand, he added, looked set for another record crop in excess of 6m tonnes, while South Africa would be back after five years of drought and Australia had increased the area sown to cane.

time its upward path and India, for the foreseeable future, will produce at least enough to cover consumption and is currently exporting at a rate of 1m tonnes a year. Mexico, too, is back as a net exporter.

He said he would not be surprised if Cuba stabilised its output around the 4.5m tonnes the island produced this season and said it might even push production higher in the 1996-1997 crop.

"We expect the world sugar market to enter an era like that experienced after the then record 1991-1992 crop when world average raw sugar prices fell to 8.97 cents per pound (1991) and 9.06 cents per pound in 1992," Mr Baron said.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

Table with columns: Metal, Unit, Price, Change. Includes Aluminum, Zinc, Copper, Lead, Tin, Nickel, Silver, Gold, Platinum, Palladium.

Precious Metals continued

GOLD COMEX (100 Troy oz)

Table with columns: Date, Price, Change, High, Low, Vol, Open. Includes Gold, Silver, Platinum, Palladium.

GRAINS AND OIL SEEDS

WHEAT LCE (¢ per tonne)

Table with columns: Date, Price, Change, High, Low, Vol, Open. Includes Wheat, Soybean, Maize, Barley.

SOFTS

COCOA LCE (¢/tonne)

Table with columns: Date, Price, Change, High, Low, Vol, Open. Includes Cocoa, Coffee, Sugar, Cotton.

MEAT AND LIVESTOCK

LIVE CATTLE CME (40,000lbs; cents/lb)

Table with columns: Date, Price, Change, High, Low, Vol, Open. Includes Cattle, Hogs, Bellies.

ENERGY

CRUDE OIL NYMEX (1,000 barrels; \$/barrel)

Table with columns: Date, Price, Change, High, Low, Vol, Open. Includes Crude Oil, Heating Oil, Gasoline.

PRECIOUS METALS

LONDON BULLION MARKET

Table with columns: Metal, Price, Change, High, Low, Vol, Open. Includes Gold, Silver, Platinum, Palladium.

FUTURES DATA

All futures data supplied by CME

Table with columns: Contract, Price, Change, High, Low, Vol, Open. Includes Wheat, Soybean, Maize, Corn.

VOLUME DATA

Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBOT, NYCE, COM, CME and IPE

Table with columns: Contract, Volume, Change, High, Low, Vol, Open. Includes Wheat, Soybean, Maize, Corn.

INDICES

REGULATORS (Base: 1981=100)

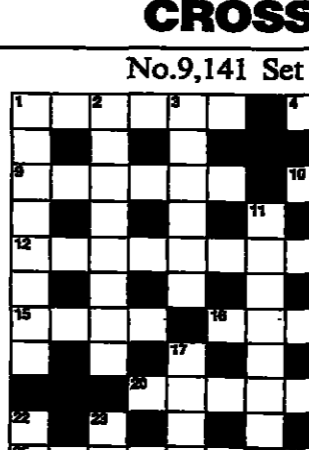
Table with columns: Index, Price, Change, High, Low, Vol, Open. Includes NYSE, S&P 500, FTSE 100.

JOTTER PAD

Table with columns: Date, Price, Change, High, Low, Vol, Open. Includes various commodities.

CROSSWORD

No.9,141 Set by QUARK



- 1 Dash back honour for anesthetist? (6)
2 With 1 across one carries out many calculations (6)
3 Getting sharp calling without leader (6)
4 Puts turf down again in exchange (6)
5 Joy from Turkey? (7)
6 Scores were sold in neck-wear (6)
7 A 1 across period of fasting in extremes of penury (6)
8 She's among the appellants (6)
9 English in the main shopping thoroughfare is uppermost (7)
10 This 1 across is innumerable (7)
11 This 1 across would be a boundary (4)
12 Find the officer in former surroundings (6)
13 Substance used by scientist treated lame chick mostly (8)
14 12 plus tens (8)
15 A 1 across of lectures in regular process (6)
16 Called to appear in court, do men resort to to? (8)
17 across this is study of integers (6)
18 DOWN
19 1 across that's after the last hole (8)
20 Well-behaved RN, namely at sea? (8)

- 3 Press the fourth one (6)
4 Tender build up (4)
5 With 1 across, get nose, loud when blown (8)
6 Getting sharp calling without leader (6)
7 Puts turf down again in exchange (6)
8 Joy from Turkey? (7)
9 Scores were sold in neck-wear (6)
10 A 1 across period of fasting in extremes of penury (6)
11 She's among the appellants (6)
12 English in the main shopping thoroughfare is uppermost (7)
13 This 1 across is innumerable (7)
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17 across this is study of integers (6)
18 DOWN
19 1 across that's after the last hole (8)
20 Well-behaved RN, namely at sea? (8)

Solution 9,140

Table with columns: Across, Down, Clue, Answer. Includes 1 across, 2 across, etc.

سكنا من الامل



Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 673 4776 for more details.

Table listing various offshore funds and insurance products, including details on fund names, managers, and performance metrics.

LUXEMBOURG (SIB RECOGNISED)

Table listing Luxembourg-based funds and insurance products, detailing fund names and key information.

LUXEMBOURG (REGULATED)

Table listing regulated Luxembourg funds, including fund names and associated details.

Offshore Funds and Insurances

Table listing offshore funds and insurance products, providing names and descriptions.

Offshore Funds and Insurances

Table listing offshore funds and insurance products, detailing fund names and managers.

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LUXEMBOURG (SIB RECOGNISED)

Table listing Luxembourg-based funds and insurance products, detailing fund names and key information.

LUXEMBOURG (REGULATED)

Table listing regulated Luxembourg funds, including fund names and associated details.

Offshore Funds and Insurances

Table listing offshore funds and insurance products, providing names and descriptions.

Offshore Funds and Insurances

Table listing offshore funds and insurance products, detailing fund names and managers.

Offshore Funds and Insurances

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Handwritten text in Arabic script: 'صندوق الاستثمار'

Large vertical advertisement on the right side of the page, featuring various financial services and insurance products with detailed text and graphics.

سوقنا من الامل

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (44 171) 878 4978 for more details.

Table listing various fund categories including Old Mutual International, Alpha Fund Management Ltd, Credit Investment Funds, and Global Asset Management. Each entry includes fund name, price, and performance metrics.

Table listing various fund categories including Indian Opportunities Fund Ltd, Lloyds Bank Government Bonds, Oryx (India) Fund Ltd, and Smith Barney Funds. Each entry includes fund name, price, and performance metrics.

Table listing various fund categories including Offshore Insurances and Other Funds. Each entry includes fund name, price, and performance metrics.

HACKETT LONDON ESSENTIAL BRITISH KIT Sale NOW ON AT 27 ST MARKS STREET, LONDON SW14 6JY. Includes contact information for Hackett London.

OTHER OFFSHORE FUNDS

Table listing various offshore fund categories including ATP Management Ltd, AXA Asset Management, and Alpha Fund Management Ltd. Each entry includes fund name, price, and performance metrics.

Table listing various offshore fund categories including Global Asset Management, Global Growth Fund, and Global Income Fund. Each entry includes fund name, price, and performance metrics.

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MANAGED FUNDS NOTES: For further information on the funds listed in this section, please refer to the relevant prospectus or contact your financial adviser.





صكنا من الامل

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

Table listing investment trusts with columns for Name, Price, and % Change.

LEISURE & HOTELS - Cont.

Table listing leisure and hotel companies with columns for Name, Price, and % Change.

PAPER, PACKAGING & PRINTING

Table listing paper, packaging, and printing companies with columns for Name, Price, and % Change.

PROPERTY - Cont.

Table listing property companies with columns for Name, Price, and % Change.

TELECOMMUNICATIONS

Table listing telecommunications companies with columns for Name, Price, and % Change.

AIM - Cont.

Table listing companies on the Alternative Investment Market (AIM) with columns for Name, Price, and % Change.

OTHER INVESTMENT TRUSTS

Table listing other investment trusts with columns for Name, Price, and % Change.

OIL EXPLORATION & PRODUCTION

Table listing oil exploration and production companies with columns for Name, Price, and % Change.

PHARMACEUTICALS

Table listing pharmaceutical companies with columns for Name, Price, and % Change.

RETAILERS, FOOD

Table listing food retailers with columns for Name, Price, and % Change.

RETAILERS, GENERAL

Table listing general retailers with columns for Name, Price, and % Change.

TEXTILES & APPAREL

Table listing textiles and apparel companies with columns for Name, Price, and % Change.

TOBACCO

Table listing tobacco companies with columns for Name, Price, and % Change.

TRANSPORT

Table listing transport companies with columns for Name, Price, and % Change.

INVESTMENT COMPANIES

Table listing investment companies with columns for Name, Price, and % Change.

OIL, INTEGRATED

Table listing integrated oil companies with columns for Name, Price, and % Change.

OTHER FINANCIAL

Table listing other financial companies with columns for Name, Price, and % Change.

LEISURE & HOTELS

Table listing leisure and hotel companies with columns for Name, Price, and % Change.

PROPERTY - Cont.

Table listing property companies with columns for Name, Price, and % Change.

SUPPORT SERVICES

Table listing support services companies with columns for Name, Price, and % Change.

WATER

Table listing water companies with columns for Name, Price, and % Change.

AIM

Table listing companies on the Alternative Investment Market (AIM) with columns for Name, Price, and % Change.

Advertisement for Rockwell: 'In the world of automotive component systems, Rockwell is world class.' Includes Rockwell logo.

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Ltd, a member of the Financial Times Group.

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Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

FT Cityline

For readers phoning from outside UK, please dial +44 in place of the first 0. The share prices printed on these pages are also available on the internet at http://www.ft.com.

LONDON STOCK EXCHANGE

MARKET REPORT

FT-SE 100 index regains the 3,800 level

By Philip Coggan, Markets Editor

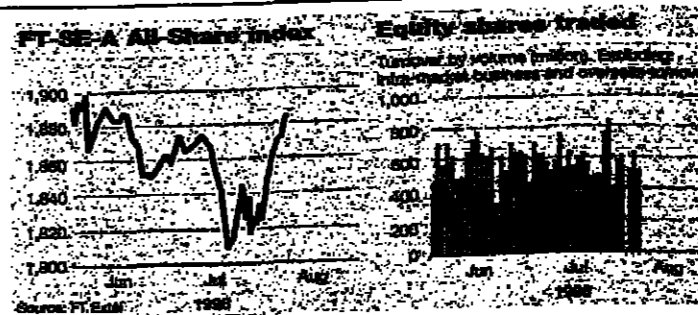
The FT-SE 100 index moved up towards the top end of its recent 3,850-3,880 trading range yesterday, despite a warning from the Bank of England that interest rates would need to rise if the government is to meet its inflation target.

Whatever the cause, Footsie recorded its sixth consecutive gain, adding 22.7 points to 3,811.1. It was ahead throughout the session, and held on when the Dow Jones Industrial Average, after an early rise, slipped to an 8-point loss by the close of London trading.

The Bank's views on rates, which were published in its quarterly inflation report, had been well aired in the weekend press and traders greeted the news with equanimity. Short sterling futures, the market's vehicle for speculating on rate changes,

weakened a little but were still only looking for base rates to edge up to 6 per cent by March 1997. Gilt were supportive, with the benchmark 10 year issue rising by an eighth of a point.

Turnover received a lift from a £100m plus programme trade, which was designed to rebalance the UK portfolio of a foreign institutional investor. By the 6pm count, the number of shares traded was 898.9m. The value of retail business on Tuesday was £2.16bn, the healthiest level for some time, thanks to the Barclays buy-back programme.



Indices and ratios table with columns for index name, value, and change.

Best performing sectors and Worst performing sectors table.

Brokers warm to Reuters

News and financial information group Reuters was the second best performer in the FT-SE 100, climbing 22 to 729p, the first real sign of a bounce since it weakened after its results last week.

relief about the better than expected results and the Westminster Press disposal. Better than expected half-year results, with profits up by 39 per cent, helped Metal Bulletin add 63 to 1063p.

Among waters, Severn Trent bounced to the top of the Footsie rankings as investors were said to have narrowed their search for the next share buy-back story to a handful of stocks.

Despite the Bank of England's cautionary inflation report, growing confidence that interest rates will not rise assisted several retailing stocks, particularly Argos, which has interim results on August 13, rose 11 to 745p.

news plus some doubts about the trading outlook. "The bank's net share of the mortgage market has shaded and there seem to have been slacker trends in retail banking", said one analyst.

FUTURES AND OPTIONS

FT-SE 100 INDEX FUTURES (LFFE) table with columns for month, open, high, low, and change.

FT-SE 100 INDEX OPTION (LFFE) table with columns for strike, open, high, low, and change.

FT-SE 100 INDEX OPTION (LFFE) table with columns for strike, open, high, low, and change.

LONDON RECENT ISSUES: EQUITIES

Table of London recent issues with columns for company name, price, and change.

FT GOLD MINES INDEX

Table of FT Gold Mines Index with columns for index value and change.

FT-SE Actuarial Share Indices

Table of FT-SE Actuarial Share Indices with columns for index name and value.

FT-SE Actuarial All-Share

Table of FT-SE Actuarial All-Share with columns for index name and value.

Hourly movements

Table of hourly movements with columns for time, index value, and change.

FT-SE Actuarial 350 Industry baskets

Table of FT-SE Actuarial 350 Industry baskets with columns for industry name and value.

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Stake in P&O

Transport leader P&O put on some steam following the early morning announcement that P&O, the UK asset management wing of UBS, had built up a 10.1 per cent stake in the company.

There was said to have been a Severn Trent buy order for 500,000 shares. The stock closed up 18 at 597p. Most brokers set little store by the buy-back hopes.

Speculation about a share buy-back helped boost ICI 10 to 799p. Analysts dismissively said they had also heard rumours of a bid for Germany for the chemicals group, but pointed to a slight stock shortage as the most likely cause for the rise.

Support services leader Rentokil, which has been a dull performer since it completed the takeover of BEV, bounced strongly in above-average volume.

Utilities active

Utilities, both water and electric, bounced back into relief about the better than expected results and the Westminster Press disposal.

East Midlands ended 14 better at 597p in 2.3m traded. Volume throughout the sector was relatively modest.

Over the past month the market by around 7 per cent as some brokers have taken a generally cautious stance. Many saw the BEV bid as a defensive move to bolster slowing markets.

At all events, sentiment swung back on to the offensive yesterday. The shares ended at the top of the Footsie chart, up 12 1/2 at 404p in 7.6m traded.

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Pearson continued to rise, up 9 to 654p, with the help of

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Large table of FT-SE Actuarial Share Indices and related data, including various industry baskets and company performance metrics.

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Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

Main table of world stock markets with columns for country, stock name, price, and change. Includes sections for EUROPE, ASIA, PACIFIC, and AMERICA.

Advertisement for Peregrine: Money Talks in Asia. We speak Asia's language. Peregrine is a leader in Asian corporate and project finance, direct investment and asset management.

INDICES

Table of various stock indices including Dow Jones, Nikkei, and others, with columns for index name, value, and change.

US INDICES

Table of US stock indices including S&P 500, Dow Jones, and others, with columns for index name, value, and change.

ASIA (Aug 7 / Asia)

Table of Asian stock markets including Hong Kong, Singapore, and others, with columns for market name, value, and change.

SOUTH AFRICA (Aug 7 / Rand)

Table of South African stock markets with columns for market name, value, and change.

AFRICA

Table of African stock markets with columns for market name, value, and change.

INDEX FUTURES

Table of index futures contracts including CAC-40, Nikkei, and others, with columns for contract name, price, and change.

NEW YORK ACTIVE STOCKS & TRADING ACTIVITY

Table of active stocks and trading activity in New York, including volume and price changes.

TOKYO - MOST ACTIVE STOCKS

Table of most active stocks in Tokyo, including volume and price changes.

CANADA (Aug 7 / Can \$)

Table of Canadian stock markets with columns for market name, value, and change.

NEW ZEALAND (Aug 7 / NZ \$)

Table of New Zealand stock markets with columns for market name, value, and change.

Small text at the bottom of the page providing additional information and disclaimers.

NEW YORK STOCK EXCHANGE PRICES

Main table of stock prices with columns for stock symbols, prices, and changes. Includes sub-sections for 'NEW YORK STOCK EXCHANGE PRICES', 'NASDAQ LISTED STOCKS', and 'NASDAQ LISTED STOCKS'.

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NYSE PRICES

Table of NYSE stock prices including columns for stock name, price, change, and volume. Includes sub-sections for 'Continued from previous page', '-V-', '-W-', '-X-Y-Z-', and '-T-'.

NASDAQ NATIONAL MARKET

Table of NASDAQ National Market stock prices including columns for stock name, price, change, and volume. Includes sub-sections for '-L-', '-M-', '-N-', '-O-', '-P-', '-Q-', '-R-', '-S-', '-T-', '-U-', '-V-', '-W-', '-X-Y-Z-'.

AMEX PRICES

Table of AMEX stock prices including columns for stock name, price, change, and volume.

Advertisement for 'Financial Times' featuring the logo and text: 'Have your FT hand delivered in Finland. Gain the edge over your competitors by having the Financial Times delivered to your home or office every working day.' Includes contact information for Helsinki and Espoo.

AMERICA

Dow subsides, semis add to recent gains

Wall Street

US share prices fell away in late morning trading after a firm start in spite of a continuing rally among semiconductor and construction stocks...

AMERICA

after several weak months. Intel was up 4% to 50 1/4, a new record, in spite of a delay in the introduction of its multimedia Pentium chip...

Canada

Toronto crept higher at midday, with the TSE 300 composite index up 4.22 at 5,028.48. Telecom Canada was up 7% to 64 1/2...

SOUTH AFRICA

Equities were up set as a weak rand and fears of a poor July reserve figure prompted talk of a possible rise in interest rates...

ASIA PACIFIC

The Nikkei was off 1.3% on US unwinding fears. Nikkei off 1.3% on US unwinding fears...

EUROPE

Surprise results lift Schering 5.9%

A welcome surprise in pharmaceuticals, mixed pickings in the banking sector and another scare at Metallgesellschaft gave Frankfurt plenty to bite on...

ASIA PACIFIC

The Nikkei was off 1.3% on US unwinding fears. Nikkei off 1.3% on US unwinding fears...

FT-SE Actuaries Share Indices

Table with columns: Hourly change, Open, 10.30, 11.00, 12.00, 13.00, 14.00, 15.00, Close. Rows for FT-SE Actuaries 100, FT-SE Actuaries 200, FT-SE Actuaries 300.

THE EUROPEAN SERIES

Table with columns: Hourly change, Open, 10.30, 11.00, 12.00, 13.00, 14.00, 15.00, Close. Rows for Euronext 100, Euronext 200, Euronext 300.

Mexico supported by rate cut

The region's equity markets were cautiously higher in mid-session trading. MEXICO CITY was encouraged by a fall in domestic interest rates, as well as economic data showing that the country's industrial production rate had risen by more than 13.2%...

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

Table with columns: Market, No. of stocks, August 2nd 1996, August 2nd 1996, % Change over week on Dec '95, % Change over week on Dec '95, Local currency terms August 2nd 1996 over week on Dec '95, Local currency terms August 2nd 1996 over week on Dec '95.

In a review of its Latin American equity portfolio this week Bear Stearns lifted its rating on Mexico to neutral from overweight, cut Peru to neutral from overweight and maintained a neutral weight on Argentina...

FT/S&P ACTUARIAL WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FT-SE International Limited, Goldman, Sachs & Co. and Standard & Poor's.

Large table with columns: NATIONAL AND REGIONAL MARKETS, Figures in parentheses show number of issues. Rows for Australia, Austria, Belgium, Brazil, Canada, Denmark, France, Germany, Hong Kong, India, Japan, Korea, Malaysia, Mexico, Netherlands, New Zealand, Norway, Philippines, Singapore, South Africa, Spain, Sweden, Switzerland, Thailand, United Kingdom, USA.

Nikkei off 1.3% on US unwinding fears

The Nikkei was off 1.3% on US unwinding fears. Nikkei off 1.3% on US unwinding fears...

ASIA PACIFIC

Tokyo. Fears that US investors were cutting down their overseas investments heightened pessimism and the Nikkei average fell 1.3%...

Roundup

Indian traders said that several domestic funds, including state-owned insurance institutions, turned buyers and lifted BOMBAY by 1.8%...

index closed 62.15 higher at 3,543.44.

Shanghai. Banks lost ground on arbitrage-linked trading. Industrial Bank of Japan fell 0.7%...

ASIA PACIFIC

Kuala Lumpur. Puffed up United Engineers (UEM) higher in late trading, helping the market after the government approved new road toll rates...

Roundup

London. The year's decline failed to stop a fall in technology issues. Toshiba fell 0.8% to 340.75...

Technology in Retailing - Strategies for Success in a Rapidly Changing Environment. An FT CONFERENCE in association with RETAIL TECHNOLOGY. 24 & 25 October, London. Includes issues include: Changes in Markets, Customers, Competition and Channels...

FIN page 11. Includes various news snippets: Yeltsin blamed for troops battle to regain Grozny, South African minister quits, Indian bank drops 30%, South Korea's price rise, India's growth, US and Denmark consider pact, India's growth, South African minister quits, Indian bank drops 30%, South Korea's price rise, India's growth...